92-2272

A	ABCM CORP	10Q	06-30-91
B	ADVANTAGE BANCORP INC	10Q	03-31-92
C	AIRSHIP INTERNATIONAL LTD	10Q	03-31-92
D	DMI FURNITURE INC	10Q	05-30-92
E	KOHL'S CORP	10Q	05-30-92
F	MISSIMER & ASSOCIATES INC	10Q	05-31-92
G	NEORX CORP	10Q	03-31-92
H	NETCOR INC	10Q	03-31-92
I	OREXANA CORP	10Q	12-31-91
J	PACIFIC ENERGY AND MINING CO	10Q	11-30-91
K	PAN AMERICAN ENERGY CORP	10Q	12-31-91
L	PAYLESS CASHWAYS INC	10Q	05-30-92
M	PIERCE INTERNATIONAL DISCOVERY INC	10Q	12-31-91
N	PNF INDUSTRIES INC	10Q	02-29-92
O	PROTECH INC	10Q	03-31-92
P	ROPAK CORP	10Q	12-31-91
Q	SAFE AID PRODUCTS INC	10Q	05-31-92
R	SALEM SPORTSWEAR CORP	10Q	05-31-92
S	TRANSAMERICAN PETROLEUM CORP	10Q	07-31-91
T	VERTICAL SOFTWARE SYSTEMS INC	10Q	12-31-91

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

13|12

For the quarterly period ended June 30, 1991

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

APR 1 4 1992
137

For the transition period from ____________ to ____________

Commission file number 33-38108C

7M4/21

ABCM Corporation
(Exact name of registrant as specified in its charter)

Iowa	42-1008939
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Highway 65 North, P.O. Box 436 Hampton, Iowa 50441
(Address of principal executive offices) (Zip Code)

(515) 456-5636
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ___ No X

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 375,000 shares as of March 1, 1992.

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ABCM CORPORATION

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1991

PART I. -- FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited financial statements are included in this report:

(a) Balance Sheets as of June 30, 1991, and December 31, 1990.
(b) Statements of Income (Loss).
(c) Statement of Stockholders' Equity.
(d) Statement of Cash Flows.

FINANCIAL STATEMENTS
OF
ABCM CORPORATION

HAMPTON, IOWA
AT
JUNE 30, 1991

UNAUDITED

ABCM CORPORATION
HAMPTON, IOWA

BALANCE SHEET
AS OF JUNE 30, 1991 AND DECEMBER 31, 1990
UNAUDITED

ASSETS

	6/30/91	12/31/90
urrent Assets:		
Cash	$ 287,268	$ 643,934
Receivables:		
Patient Accounts, Net of Allowance for Doubtful Accounts	1,200,665	1,318,656
Employees	52,246	48,702
Supplies	86,758	90,923
Property Tax Escrows	141,500	151,978
Prepaid Expenses	119,312	61,868
Current Portion of Due from Related Parties	28,240	24,730
Total Current Assets	$ 1,915,989	$ 2,340,791
roperty and Equipment:		
Land	$ 630,781	$ 630,781
Buildings and Improvements	22,650,482	22,467,022
Furniture, Fixtures and Equipment	7,559,114	7,308,169
Transportation Equipment	1,506,171	1,506,171
Total Property and Equipment	$ 32,346,548	$ 31,912,143
LESS-Accumulated Depreciation	15,005,960	14,345,097
Net Property and Equipment	$ 17,340,588	$ 17,567,046
ther Assets:		
Intangible Assets, Net of Amortization 6/30/91-$445,311 12/31/90-$404,589	$ 995,934	$ 957,270
Investments	90,459	90,459
Due from Related Parties	3,622,328	3,287,805
Restricted Cash	142,243	137,941
Total Other Assets	$ 4,850,964	$ 4,473,475
Total Assets	$ 24,107,541	$ 24,381,312

ABCM CORPORATION
HAMPTON, IOWA

BALANCE SHEET
AS OF JUNE 30, 1991 AND DECEMBER 31, 1990
UNAUDITED

LIABILITIES AND STOCKHOLDERS' EQUITY

	6/30/91	12/31/90
Current Liabilities:		
Accounts Payable	$ 630,225	$ 542,376
Note Payable	183,558	0
Accrued Expenses:		
Payroll	877,627	932,174
Property Taxes	461,422	461,422
Vacation and Sick Leave	1,180,751	957,887
Payroll and Other Taxes	68,724	55,931
Other	69,782	82,900
Current Maturities of Long-Term Debt	1,156,343	820,762
Total Current Liabilities	$ 4,628,432	$ 3,853,452
Long-Term Debt, Less Current Maturities	$ 17,479,593	$ 17,946,906
Other Liabilities:		
Minority Interest Payable	$ 11,000	$ 11,000
Due to Related Parties	619,047	357,507
Total Other Liabilities	$ 630,047	$ 368,507
Total Liabilities	$ 22,738,072	$ 22,168,865
Stockholder's Equity:		
Common Stock, $1 Par Value, 375,000 Shares Authorized Issued and Outstanding	$ 375,000	$ 375,000
Additional Paid-In Capital	125,000	125,000
Retained Earnings	869,469	1,712,447
Total Stockholders' Equity	$ 1,369,469	$ 2,212,447
Total Liabilities and Stockholders' Equity	$ 24,107,541	$ 24,381,312

ABCM CORPORATION
HAMPTON, IOWA

STATEMENT OF INCOME (LOSS)
FOR THE SIX MONTHS ENDED JUNE 30, 1991 AND JUNE 30, 1990
UNAUDITED

	3 MONTHS ENDED 6/30/91	6 MONTHS ENDED 6/30/91	3 MONTHS ENDED 6/30/90	6 MONTHS ENDED 6/30/90
Income:				
Patient Care Income	$ 8,140,627	$ 16,291,808	$ 7,506,759	$ 14,862,909
Management Fee Income	50,085	100,011	47,700	94,950
Other Income	97,905	194,400	98,414	184,320
Total Income	$ 8,288,617	$ 16,586,219	$ 7,652,873	$ 15,142,179
Expenses:				
Nursing Services	$ 3,018,267	$ 5,999,832	$ 2,710,518	$ 5,415,836
Dietary Services	1,267,999	2,500,624	1,199,356	2,360,005
General Services	1,162,242	2,378,277	1,081,169	2,201,365
Administrative Services	2,027,044	4,052,533	1,815,080	3,514,428
Interest	514,065	1,039,218	517,476	1,038,896
Depreciation	268,691	660,862	392,113	769,383
Total Expenses	$ 8,258,308	$ 16,631,346	$ 7,715,712	$ 15,299,913
Income (Loss) from Operations	$ 30,309	$ (45,127)	$ (62,839)	$ (157,734)
Interest Income	67,781	134,099	75,700	138,051
Net Income (Loss)	$ 98,090	$ 88,972	$ 12,861	$ (19,683)
Net Income (Loss) Per Share	$ $0.26	$ $0.24	$ $0.03	$ ($0.05)

ASCM CORPORATION
HAMPTON, IOWA

STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1991 AND JUNE 30, 1990
UNAUDITED

	6/30/91	6/30/90
Stockholders Equity Beginning of Period:		
Common Stock Issued and Outstanding	$ 375,000	$ 375,000
Contributed Capital	125,000	125,000
Retained Earnings	1,712,447	1,668,451
Total Stockholders Equity Beginning of Period	$ 2,212,447	2,168,451
Add: Net Income (Loss)	$ 88,972	$ (19,683)
Less: S-Corporation Distributions	(931,950)	0
Net Increase (Decrease)	$ (842,978)	$ (19,683)
Total Stockholders Equity End of Period	$ 1,369,469	$ 2,148,768
Stockholders Equity End of Period:		
Common Stock Issued and Outstanding	$ 375,000	$ 375,000
Contributed Capital	125,000	125,000
Retained Earnings	869,469	1,648,768
Total Stockholders Equity End of Period	$ 1,369,469	2,148,768
Dividends Per Share	$ $0.00	$ $0.00
S-Corporation Distributions Per Share	$ $2.49	$ $0.00

ABCM CORPORATION
HAMPTON, IOWA

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1991 AND JUNE 30, 1990
UNAUDITED

		6/30/91		6/30/90
Cash Flows from Operating Activities:				
Net Income (Loss)	$	88,972	$	(19,683)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation		660,862		769,383
Amortization		40,722		37,240
(Increase) Decrease In:				
Receivables		114,447		128,123
Supplies		4,165		(3,003)
Property Tax Escrows		10,478		4,495
Prepaid Expenses		(57,444)		45,116
Increase (Decrease) In:				
Accounts Payable		87,849		19,755
Accrued Expenses		167,992		83,920
Net Cash Provided (Used) by Operating Activities	$	1,118,043	$	1,065,346
Cash Flows from Investing Activities:				
Purchase of Property and Equipment	$	(434,405)	$	(376,012)
Advances to Related Parties-Net		(338,032)		(245,877)
Net Cash Provided (Used) by Investing Activities	$	(772,437)	$	(621,889)
Cash Flows from Financing Activities:				
Proceeds from Long-Term Debt Borrowings	$	1,460,000	$	0
Proceeds from Related Party Advances		261,540		0
S Corporation Distributions		(931,950)		0
(Increase) Decrease in Restricted Cash		(4,302)		(59)
Repayment of Long-Term Debt		(1,408,174)		(409,343)
Payment of Loan Costs		(79,386)		0
Payment of Minority Interest		0		(500)
Net Cash Provided (Used) by Financing Activities	$	(702,272)	$	(409,902)
Net Increase (Decrease) in Cash	$	(356,666)		33,555
Cash-Beginning of Period		643,934		264,827
Cash-End of Period	$	287,268	$	298,382
Supplemental Disclosures of Cash Flow Information:				
Cash Paid for Interest	$	1,052,838	$	1,044,053

ABCM CORPORATION
HAMPTON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1991
UNAUDITED

NOTE 1-COMMITMENTS AND CONTINGENCIES

In November, 1990, ABCM Corporation and Nursing Care Management, Ltd., established a self-funded group health and accident insurance plan covering their employees whereby the Companies assume limited liability with the excess liability assumed by underwriters. The Company's payments for claims under the plan amounted to $424,119 for the six months ended June 30, 1991. The estimated liability for claims incurred but not paid at June 30, 1991 was $51,500.

ABCM Corporation has committed to Heritage Health Care Center of Inverness, Ltd., a limited partnership, to lend operating funds to the partnership to fund any operating deficits in excess of the $200,000 original partnership reserves during the first three years of the partnership's operation. In addition, ABCM Corporation has guaranteed the repayment of $3,300,000 of Industrial Development Revenue Bonds issued through the Citrus County Industrial Development Authority, Citrus County, Florida, to the partnership. Heritage Health Care Center of Inverness, Ltd. is an Iowa limited partnership formed to acquire and operate a 116 bed nursing and adult congregate care facility in Inverness, Florida. The partnership acquired and began operating the facility during 1987. The stockholders of ABCM Corporation own 60% of Heritage Health Care Center of Inverness, Ltd.

ABCM Corporation has also guaranteed repayment of a $1,800,000 First Mortgage Bond issue dated November 1, 1988, for Heritage Health Care Center of Baker County, Inc. which is a 60 bed care facility in Macclenny, Florida. The stockholders of ABCM Corporation own 60% of Heritage Health Care Center of Baker County, Inc.

ABCM Corporation has guaranteed repayment of a mortgage to Nursing Care Management, Ltd. from American Charter Savings and Loan in the amount of $3,500,000. The unpaid balance of this mortgage at June 30, 1991 and December 31, 1990, was $3,387,159 and $3,421,407, respectively. The stockholders of ABCM Corporation are also the stockholders of Nursing Care Management, Ltd.

NOTE 2-MANAGEMENT STATEMENT

It is management's opinion that all adjustments necessary to the fair presentation of these interim financial statements have been included.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Material Changes in Financial Condition

The 15.2% decrease in cash from December 31, 1991, is due to the use of cash reserves to pay the increased costs of operations that have yet to be reflected in higher Medicaid reimbursement rates.

The increase in Property and Equipment from December 31, 1990, to June 30, 1991, is a result of an on-going effort to upgrade and re-equip facilities. The Company has not acquired any nursing home facilities since December 31, 1990.

The increase in Due from Related Parties from December 31, 1990, to June 30, 1991, resulted from additional operating advances to related parties.

Total liabilities have increased 2.3% over the six-month period from December 31, 1990 due to the issuance of the debt instruments which were the subject of the registration statement filed under the Securities and Exchange Act of 1933, effective February 12, 1991 and increased borrowings from related parties. See Note #3-Related Party Transactions to the December 31, 1990, financial statements filed as a part of the Special Report of the Company pursuant to rule 15d-2 on April 14, 1992, for an explanation of the related party debt.

In November 1990 the Company and Nursing Care Management, Ltd., established a self-funded group health and accident insurance plan covering their employees whereby the Companies assume limited liability with the excess liability assumed by underwriters. The Company's payments for claims under the plan amounted to $424,119 for the six-months ended June 30, 1991. The estimated liability for claims incurred but not yet paid at June 30, 1991, was $51,500.

The balance sheet reflects negative working capital at both June 30, 1991, and December 31, 1990. The current assets turn to cash sooner than when the current liabilities need to be paid. For instance, Patient Accounts Receivable, $1,200,665, will be received within one month, while Accrued Liabilities for Property Taxes and Vacation and Sick Leave, $1,642,173, will not require the use of cash for several months. The Note Payable requires $15,003 monthly payments and will be paid in full in July 1992. Accrued Property Taxes include the amount of taxes that have accrued since the last property tax payment date and reflect nine-months of expenses at both June 30, 1991, and December 31, 1990. Accrued Vacation and Sick Leave reflects the amounts of these employee benefits earned, but unpaid as of these dates. The amounts accrued are traditionally paid throughout the year, based on employee anniversary dates. In addition, patient revenues for private paying residents, which are received within the first four or five days of the month in which they accrue and amount to approximately $1,100,000 per month, makes them available for current cash needs. This, along with the turnover in receivables and accrued expenses discussed above, enable the Company to meet its current obligations.

Current Maturities of Long-Term Debt increased from December 31, 1990, to December 31, 1991, due to reclassification of a mortgage which will come due in July 1992 as current. Management expects that this mortgage will be refinanced without any additional burden on working capital.

The 51.6% decrease in stockholders' equity is due to distributions made to stockholders of prior years earnings. Management expects that the decreases shown will be offset over the year by expected increased income due to increases in the Medicaid reimbursement ceiling that will go into effect in July 1991.

Material Changes in the Results of Operations

The Company has experienced a small increase in income due to slight adjustment in Medicaid reimbursement rates. This increase in income, however, has been offset by an increase in operating costs. Medicaid reimbursement rates are established twice each year based on costs experienced in the prior six month period. The reimbursement rate is subject to a state-wide cap which is established annually based on the prior year's costs. This delay in reflecting costs means that the Company is being reimbursed based on a reimbursement ceiling calculated on costs that may be up to eighteen months old.

Operating expenses other than interest and depreciation have increased from the six months ended June 30, 1990, to the six-month period ended June 30, 1991, a total of 10.29%. Salary expenses have increased a total of $1,115,000, or 13.10% over salaries for the same six-month period one year ago. This increase in salaries is due to salary increases given to all staff in October 1990 that were phased in through January 1991. In addition to the salary increases, new federal nursing home regulations went into effect in October 1990 that have caused all facilities to increase the number of staff over the same period one year ago in order to comply with the new regulations.

Operating expenses other than salaries have increased for the six months ended June 30, 1991, over the same period one year ago a total of 5.49%. This increase is due to an increase in workers compensation insurance payments made by the Company from 1990 to 1991 of 25% along with a general increase in costs due to inflation.

The Company's labor costs are expected to remain at their current level until later in 1991. The Company, traditionally, has tied any wage increases to Title XIX reimbursement increases. The Title XIX reimbursement rates are scheduled to be updated in July 1991. At that time management will review its financial position and decide whether wage increases are appropriate.

PART II. -- OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ABCM Corporation
(Registrant)

Date 4/13/92

(Signature)

George M. Manovlovich, President
(Print Name and Title)

Date 4/13/92

(Signature)

Richard A. Allbee, Treasurer
(Print Name and Title)

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MANUALLY SIGNED

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10–Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

24|17

For Quarter Ended March 31, 1992 **Commission File Number 0–19794**

Advantage Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Wisconsin
(State of Incorporation)

39–0391080
(I.R.S. Employer Identification No.)

5935 7th Avenue
Kenosha, Wisconsin
(Address of principal executive offices)

53140
(Zip Code)

Registrant's telephone number: (414) 658–4861

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1034 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yer _X_ No ______

The number of shares outstanding of the issuer's common stock, par value $.01 per share, was 3,300,000 at May 12, 1992.

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ADVANTAGE BANCORP, INC. AND SUBSIDIARY
FORM 10-Q

Part I. Financial Information

Item 1 Financial Statements

Consolidated Statements of Financial Condition as of March 31, 1992 (unaudited) and September 30, 1991 3

Consolidated Statements of Income for the Three and Six Months ended March 31, 1992 and 1991 (unaudited) 4

Consolidated Statements of Changes in Stockholders' Equity for the Six Months ended March 31, 1992 and 1991 (unaudited) 5

Consolidated Statements of Cash Flows for the Six Months ended March 31, 1992 and 1991 (unaudited) 6

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Part II. Other Information

Item 1 Legal Proceedings 23

Item 2 Changes in Securities 23

Item 3 Default upon Senior Securities 23

Item 4 Submission of Matters to a Vote of Security Holders 23

Item 5 Other Information 23

Item 6 Exhibits and Reports on Form 8-K 23

Signature Page 24

Advantage Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition
(Dollars in thousands)

	March 31, 1992 (unaudited)	September 30, 1991
Assets		
Cash and cash equivalents (includes interest earning deposits of $4,604 – 1992; $3,277 – 1991)	$11,169	$6,777
Certificates of deposit (approximates market value)	3,462	8,375
U.S. Goverment securities (market value of $101)		100
Securities held for sale – at lower of cost or market (market value of $13,545 – 1992, $11,858 – 1991)	13,291	11,631
Mortgage–backed securities (market value of $58,813 – 1992; $49,664 – 1991)	58,808	48,620
Mortgage derivative securities (market value of $58,792 – 1992; $39,606 – 1991)	57,397	38,930
Loan receivable – *net*	310,636	290,615
Foreclosed properties and properties subject to foreclosure – *net*	813	220
Real estate held for investment	132	265
Investments in and advances to unconsolidated partnerships	6,373	6,559
Office properties and equipment	8,360	7,474
Federal Home Loan Bank stock – at cost	3,061	2,972
Accrued interest on investments and mortgage–related securities	1,212	997
Deferred income taxes	305	305
Intangible assets	2,980	1,094
Prepaid expenses and other assets	357	131
	$478,356	$425,065
Liabilities and Stockholders' Equity		
Liabilities:		
Deposit accounts	$390,630	$368,425
Notes payable to Federal Home Loan Bank	1,720	1,720
Securities sold under agreements to repurchase	500	500
Advance payments by borrowers for taxes and insurance	3,341	6,485
Accrued interest on deposit accounts	1,688	2,712
Accrued interest on notes payable and other borrowings	8	59
Other liabilities	2,693	1,609
Accrued income taxes	528	230
Total liabilities	401,108	381,740
Stockholders' Equity:		
Serial Preferred Stock ($.01 par value); 5,000,000 shares authorized ; none outstanding		
Common stock ($.01 par value) 10,000,000 shares authorized, 3,300,000 shares issued and outstanding	33	
Additional paid–in capital	36,417	
Loan to Employee Stock Ownership Plan	(3,036)	
Unearned restricted stock awarded	(1,510)	
Retained earnings, substantially restricted	45,344	43,325
Total stockholders' equity	77,248	43,325
Commitments and contingencies		
	$478,356	$425,065

See accompanying notes to consolidated financial statements (unaudited).

Advantage Bancorp, Inc. and Subsidiary
Consolidated Statements of Income

(Dollars in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Interest on loans	$7,387	$7,259	$14,789	$14,617
Interest on mortgage-related securities	2,128	1,399	4,057	2,848
Interest and dividends on investment securities	314	220	607	425
Other interest income	207	330	393	810
Total interest income	10,036	9,208	19,846	18,700
Interest on deposits	5,601	5,728	11,530	11,690
Interest on notes payable and other borrowings	105	176	235	377
Total interest expense	5,706	5,904	11,765	12,067
Net interest income	4,330	3,304	8,081	6,633
Provision for loan losses	180	652	360	1,196
Net interest income after provision for loan losses	4,150	2,652	7,721	5,437
Non-interest income:				
Loan fees and service charges	90	90	180	147
Service charges on deposit accounts	195	136	377	277
Gains on sales of loans – net	126	100	292	128
Net realized and unrealized gains on securities held for sale	10		10	67
Gain on sale of investments		33		33
Equity in net income (loss) of unconsolidated partnerships	15	(30)	28	(11)
Other non-interest income, net	201	206	384	374
Total non-interest income	637	535	1,271	1,015
Non-interest expense:				
Salary and employee benefits	1,422	1,036	2,779	2,089
Occupancy	406	337	788	662
Data processing	208	117	357	232
Advertising	118	71	213	134
Federal deposit insurance premiums	216	181	405	338
Amortization of intangible assets	144	16	258	33
Professional services	85	55	138	118
Other non-interest expenses	347	282	678	561
Total non-interest expense	2,946	2,094	5,616	4,167
Income before income taxes	1,839	1,093	3,376	2,285
Income tax provision	730	607	1,357	1,209
Net income	$1,109	$486	$2,019	$1,076
Earnings per share	$0.33	n/a	$0.60	n/a

See accompanying notes to consolidated financial statements (unaudited).

Advantage Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands)
(unaudited)

	Common Stock	Additional paid-in capital	Retained earnings	Loan to ESOP	Unearned Restricted Stock Awarded	Total
Six Months Ended March 31, 1991						
Balance at September 30, 1990	$ –	$ –	$41,476	$ –	$ –	$41,476
Net income			1,076			1,076
Balance at March 31, 1991	$ –	$ –	$42,552	$ –	$ –	$42,552
Six Months Ended March 31, 1992						
Balance at September 30, 1991	$ –	$ –	$43,325	$ –	$ –	$43,325
Net income			2,019			2,019
Net proceeds of common stock issued in stock conversion	33	36,417		(3,036)	(1,518)	31,896
Amortization of unearned restricted stock awarded					8	8
Balance at March 31, 1992	$33	$36,417	$45,344	($3,036)	($1,510)	$77,248

See accompanying notes to consolidated financial statements (unaudited).

ADVANTAGE BANK, S.S.B. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)
(unaudited)

	Six Months Ended March 31, 1992	Six Months Ended March 31, 1991
Operating activities:		
Net income	$ 2,019	$ 1,076
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	360	1,196
Provision for depreciation	293	287
Amortization of intangible assets	258	33
Equity in net (income) loss of unconsolidated partnerships	(28)	11
Net realized and unrealized gain on securities held for sale	(10)	(67)
Gain on sale of investments		(33)
Net amortization of mortgage-related securities discounts and premiums	147	(4)
Net amortization of securities held for sale discounts and premiums	(59)	(2)
Increase (decrease) in accrued income taxes	299	(38)
Decrease (increase) in interest receivable	190	(194)
Decrease in interest payable	(1,076)	(1,195)
Loans originated for sale	(19,526)	(12,502)
Sales of loans	19,526	12,502
Purchases of securities held for sale	(5,000)	(3,718)
Proceeds from sales or maturities of securities held for sale	3,409	350
Receipt of FHLB stock dividend	(89)	
Amortization of cost of stock benefit plan	8	
Net cash provided by (used in) operating activities	721	(2,298)
Investing Activities:		
Proceeds from maturities of certificates of deposit	6,005	5,238
Purchases of certificates of deposit	(1,092)	(6,375)
Proceeds from sale of investments	100	41
Purchases of loans	(5,795)	
Principal repayments on mortgage-related securities	14,123	4,204
Purchase of mortgage-related securities	(42,926)	(2,043)
Loan principal repayments	58,309	32,316
Loans originated	(74,034)	(29,976)
Proceeds from sale of real estate owned	28	30
Proceeds from sale of real estate held for investment	133	
Principal repayments on loans to unconsolidated partnership	114	58
Cash distribution from unconsolidated partnership	100	
Additions to office properties and equipment	(1,178)	(221)
Increase in intangibles resulting from acquisition of branch deposits	(2,144)	
Acquisition of branch office deposits-net cash received	35,038	
Loan to Employee Stock Ownership Plan	(3,036)	
Other	970	(684)
Net cash provided by (used in) investing activities	(15,285)	2,588

ADVANTAGE BANK, S.S.B. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

	Six Months Ended March 31, 1992	Six Months Ended March 31, 1991
Financing activities:		
Net increase (decrease) in deposit accounts	(12,833)	2,797
Proceeds from notes payable to the Federal Home Loan Bank	17,850	
Repayment of notes payable to the Federal Home Loan Bank	(17,850)	
Net decrease in securities sold under agreements to repurchase		(800)
Net increase (decrease) in advance payments by borrowers for taxes and insurance	(3,143)	(3,927)
Net proceeds from issuance of common stock	36,450	
Purchase of restricted stock by Bank Incentive Plan	(1,518)	
Net cash provided by (used in) financing activities	18,956	(1,930)
Increase (decrease) in cash and cash equivalents	4,392	(1,640)
Cash and cash equivalents:		
At beginning of year	6,777	19,620
At end of period	$ 11,169	$ 17,980
Supplemental disclosures of cash flow information:		
Interest paid (including amounts credited to deposit accounts)	$ 12,840	$ 13,262
Income taxes paid	1,050	1,314

Supplemental schedule of noncash investing activities:

During 1991, real estate held for investment property with a net book value of $1,579 was reclassified to office property and equipment, as the Bank intends to utilize the property in its operations.

See accompanying notes to consolidated financial statements (unaudited).

ADVANTAGE BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (unaudited)

Three and Six Months Ended March 31, 1992

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary for a fair presentation have been included.

The results of operations and other data for the three and six months ended March 31, 1992 are not necessarily indicative of results that may be expected for the entire fiscal year ended September 30, 1992.

The unaudited consolidated financial statements include the accounts of Advantage Bancorp, Inc. (the "Holding Company") and its wholly-owned subsidiary, Advantage Bank, S.S.B. and subsidiary (the "Bank") as of and for the three and six months ended March 31, 1992. The consolidated financial statements for the prior year periods include only the accounts of the Bank and its subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

(2) Conversion to Stock Ownership

On September 10, 1991, the Board of Directors of the Bank adopted a plan of conversion pursuant to which the Bank converted from a Wisconsin state-chartered mutual savings institution to a Wisconsin state-chartered stock savings institution with the concurrent formation of the Holding Company. On March 20, 1992, the Holding Company sold 3,300,000 shares of common stock at $11.50 per share to depositors of the Bank during the subscription offering. Total net proceeds, after reflecting conversion expenses of $1.5 million, were $36.5 million and are reflected as common stock and additional paid-in capital on the accompanying unaudited consolidated statement of financial condition. The Holding Company utilized $18.3 million of the net proceeds to acquire all of the issued and outstanding common stock of the Bank.

As part of the conversion to stock form, the Bank formed an Employee Stock Ownership Plan ("ESOP") for eligible employees. The ESOP purchased 264,000 shares of the Holding Company's common stock at $11.50 per share in the conversion, which was funded by a loan from the Holding Company. The Bank will make scheduled discretionary cash contributions to the ESOP sufficient to service the amount borrowed. In accordance with GAAP, the unpaid balance of the ESOP loan has been included on the unaudited consolidated statement of financial condition as a reduction of stockholders' equity.

Additionally, the Bank formed Bank Incentive Plans ("BIPs") which were authorized to acquire approximately 4% of the shares of common stock in the conversion. The Bank contributed $1.5 million to the BIPs to enable the BIP trustee to acquire a total of 132,000 shares of the common stock in the conversion at $11.50 per share. The shares authorized were awarded to employees in key management positions in order to provide them with a proprietary interest in the Holding Company in a manner designed to encourage such employees to remain with the Bank.

The $1.5 million contributed to the BIPs is being amortized to compensation expense as the Bank's employees become vested in these shares. As of March 31, 1992, $8,000 had been amortized to expense. The unamortized cost, which is comparable to deferred compensation, is reflected as a reduction of stockholders' equity.

(3) Pro Forma Earnings per Share

Pro forma earnings per share of common stock for the six months ended March 31, 1992 have been determined by dividing net income for the period by the weighted average number of shares of common stock and common stock equivalents outstanding as if the Holding Company's offering in connection with the conversion took place as of October 1, 1991. Stock options are regarded as common stock equivalents and are therefore considered in per share calculations. Common stock equivalents are computed using the treasury stock method. Earnings per share information for the prior year period is not meaningful because the company did not complete its conversion from mutual to stock form of ownership until March 20, 1992.

(4) Commitments and Contingencies

Commitments to originate mortgage loans of $21.1 million ($9.4 million in fixed-rate commitments with an average rate of 8.64% and $11.7 million in adjustable-rate commitments) at March 31, 1992 represent amounts which the Bank plans to fund within the normal commitment period of sixty to ninety days. Commitments to sell fixed-rate mortgage loans totalled $5.6 million at March 31, 1992. The Bank also had unissued credit under existing home equity line-of-credit loans and commercial line-of-credit loans totaling $5.7 million and $3.1 million, respectively, at March 31, 1992.

During 1985 the Bank entered into two agreements whereby, for an annual fee, certain of its mortgage-backed securities were pledged as collateral for Industrial Development Revenue Bond issues which were issued by municipalities to finance commercial real estate owned by third parties unrelated to the Bank. One bond issue financed the purchase and refurbishment of a hotel while the other bond issue financed the construction of student housing at the University of Wisconsin-Parkside. As part of each bond issue, the Bank and the property owner entered into a reimbursement agreement, which required the owner to periodically deposit with the Bank adequate funds to cover scheduled principal and interest payments, anticipated real estate taxes and insurance payments as well as the guarantee fee.

During February 1992 the Bank modified the reimbursement agreement relating to the hotel bond issue and advanced $3.3 million of funds to the bond trustee to retire the bonds. The Bank assumed the first mortgage on the real estate and recorded a mortgage loan receivable for $3.3 million. The mortgage loan carries an interest rate of 8.5% and matures in December 1995 with monthly principal and interest payments based on a 15 year amortization period. Prior to retirement of the bonds, the borrower was not in default on any scheduled payments under the bond issue. However, the borrower had been late in making certain required payments to the Bank under the previous reimbursement agreement. The borrower has made all scheduled payments on a timely basis under the modified reimbursement agreement. The modification of the reimbursement agreement did not change the guarantee to the extent of 25% of the loan (previously the bond) balance by the four original stockholders in the corporation that owns the hotel along with a fifth guarantor. The loan receivable is considered a performing loan as of March 31, 1992.

The agreement related to the UW-Parkside student housing remains in effect under its original terms. Under the terms of the agreement, the Bank must maintain with a trustee, either directly or in book entry form, collateral with a fair market value aggregating at least 150% to 180% of the outstanding principal balance of the bonds. The Bank continues to receive principal and interest payments on these securities.

In the event of the third party borrower's default of principal or interest payments on the bonds, the Bank is required either to pay the amount in default or to acquire the then outstanding bonds. The acquisition of the bonds would be made by having the trustee acquire the bonds, using the proceeds from liquidation of an appropriate amount of collateral, or through a cash purchase. The Bank may then foreclose on the real estate to recover amounts in default.

At March 31, 1992, securities with a carrying value of approximately $10.2 million were held by the trustee as collateral for the bonds totalling $5.3 million. The borrower was not in default on any scheduled payments under the bond issue or related agreements with the Bank. Management has considered this agreement in its review of the adequacy of the allowance for losses.

(5) Stockholders' equity

Under federal law and regulations, the Bank is required to meet certain tangible, core, and risk-based capital requirements. Tangible capital generally consists of stockholders' equity minus certain intangible assets and investments in and advances to "nonincludable" subsidiaries and joint ventures. Core capital generally consists of tangible capital plus qualifying intangible assets. The risk-based capital requirements presently address credit risk related to both recorded assets and off-balance sheet commitments and obligations. Risk-weighted assets for regulatory measurement purposes at March 31, 1992 are $276.2 million

The following table summarizes the Bank's capital ratios and the ratios required under federal law and regulations at March 31, 1992 (dollars in thousands):

	Tangible Capital	Core Capital	Risk-based Capital
Actual amount	$52,705	$55,685	$59,426
Required amount	7,146	14,382	19,888
Excess	45,559	41,303	39,538
Actual ratio	11.1%	11.6%	21.5%
Required ratio	1.5%	3.0%	7.2%
Excess	9.6%	8.6%	14.3%

The Bank's regulatory capital as of March 31, 1992 is as follows (in thousands):

	Tangible Capital	Core Capital	Risk-based Capital
Stockholders' equity	$62,051	$62,051	$62,051
General loss allowances	--	--	3,741
Nonallowable investment and and advances to subsidiaries	(6,366)	(6,366)	(6,366)
Nonallowable intangible assets	(2,980)	--	--
Regulatory capital	$52,705	$55,685	$59,426

The required ratio of risk-based capital to adjusted assets increases to 8.0% on January 1, 1993.

As a state-chartered savings institution, the Bank is also subject to the minimum regulatory capital requirements of the State of Wisconsin. At March 31, 1992, the Bank also met these requirements.

(6) Purchase of branch deposits from Resolution Trust Corporation

In November 1991 the Bank acquired $35.4 million of customer deposits and related accrued interest of a failed financial institution from the Resolution Trust Corporation (RTC). The Bank received assets with a fair value of $33.3 million (including cash of $29.1 million and loans receivable of $4.3 million) for assumption of the liabilities. The Bank subsequently put back to the RTC $3.0 million of these loans. The fair value of the liabilities assumed exceeded the fair value of the assets received by $2.1 million which was recorded as a core deposit intangible which is being amortized over six years, the estimated life of the deposits acquired. In connection with this deposit acquisition, the Bank purchased an office property and equipment from the RTC for a total price of $725,000.

(7) Reclassifications

Certain amounts in the 1991 consolidated financial statements have been reclassified to conform with the 1992 presentation.

ADVANTAGE BANCORP, INC. AND SUBSIDIARY

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Advantage Bancorp, Inc. (the "Holding Company") is the holding company for Advantage Bank, S.S.B. (the "Bank"), a Wisconsin state-chartered savings institution. On March 20, 1992, the Bank completed its conversion from a Wisconsin state-chartered mutual savings institution to a Wisconsin state-chartered stock savings institution. On that date, the Holding Company issued and sold 3,300,000 common shares of its stock at $11.50 per share to complete the conversion. Net proceeds to the Holding Company were $36.5 million after reflecting conversion expenses of $1.5 million. The Holding Company used $18.2 million of the net proceeds to acquire all of the issued and outstanding stock of the Bank and invested virtually all of the remaining proceeds in deposit accounts at the Bank as of March 31, 1992. The Holding Company has no significant liabilities.

The Bank's principal business is attracting retail deposits from the general public and using such deposits to originate residential loans in its primary market area. The Bank also originates commercial real estate, multi-family, construction, consumer and commercial business loans. In addition, the Bank also invests in mortgage-related securities, investment securities, certificates of deposit, short-term liquid assets and real estate. Finally, the Bank offers, on an agency basis, certain securities brokerage services and insurance products to its customers. The Bank operates out of 11 locations. It has five full service offices located in Kenosha, Wisconsin and full service branch offices located in Lake Geneva and Paddock Lake, Wisconsin and Gurnee, North Chicago and Zion, Illinois. The Bank also operates a loan origination facility in Waukesha, Wisconsin. The Bank owns a single service corporation, KSL Insurance Servces, Inc., which is currently inactive. Deposits of the Bank are insured up to the maximum allowable amount by the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is subject to regulation by the Office of Thrift Supervision (the "OTS"), the FDIC, and the Wisconsin Commissioner of Savings and Loan.

The Bank's results of operations are dependent primarily on net interest income, which is the difference between the interest interest income earned on its loan, mortgage-related securities and investment portfolios and its cost of funds, consisting of interest paid on its deposits and borrowings. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Conversely, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income. In managing its asset-liability mix, Advantage intends to continue to emphasize, subject to future conditions, the origination of adjustable rate mortgage loans and the purchase of short-term, intermediate-term and adjustable-rate mortgage-related securities and other assets.

The Bank's operating results are also affected to a lesser extent by gains or losses on the sale of securities held for sale, loans and real estate. The Bank's operating expenses principally consist of employee compensation, occupancy expenses, federal insurance premiums and other general and administrative expenses. The Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities.

Liquidity and Capital Resources

The Bank's most liquid assets are cash and cash equivalents, which include investments in highly liquid, short-term investments. The level of these assets are dependent on the Bank's operating, financing and investing activities during any given period. Cash and cash equivalents totalled $11.1 million and $18.0 million as of March 31, 1992 and 1991, respectively.

The Bank's primary sources of funds are deposits, proceeds from principal and interest payments on loans and mortgage-related securities, Federal Home Loan Bank of Chicago ("FHLB-Chicago") advances and, to a lesser extent, reverse repurchase agreements. While maturities and scheduled amortization of loans and mortgage-related securities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, competition and most recently, the restructuring of the thrift industry.

The primary investing activity of the Bank is the origination and purchase of mortgage loans. During the six months ending March 31, 1992 and 1991, the Bank originated and purchased mortgage loans in the amounts of $99.4 million and $42.5 million respectively. Purchases of mortgage-related securities totalled $42.9 million and $2.0 million, respectively, in those same periods. Other investing activities include the purchase of securities held for sale, which totalled $5.0 million for the six months ended March 31, 1992 and $3.7 million for the six months ended March 31, 1991. During the six months ended March 31, 1992 and 1991, these activities were funded primarily by principal repayments on loans and mortgage-related securities totalling $72.4 million, and $36.5 million, respectively, and the proceeds from sale of loans of $19.5 million and $12.5 million, respectively. For the six months ended March 31, 1992, these activities were also funded by net proceeds of

$36.5 million from the conversion to a stock savings institution and net proceeds of $35.0 million from the acquisition of deposits located in Zion, Illinois from the RTC in November 1991.

The Bank is required to maintain minimum levels of liquid assets as defined by OTS regulations. This requirement, which may be varied at the direction of the OTS depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. The required ratio at March 31, 1992 was 5.0%. The Bank's liquidity ratios were 7.28% and 9.15% as of March 31, 1992 and 1991 respectively. Excess funds are generally invested in short-term investments such as federal funds. In the event that the Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through the use of FHLB-Chicago advances and reverse repurchase agreements.

At March 31, 1992, the Bank's capital exceeded all capital requirements of the OTS as mandated by federal law and regulations on both a current and fully-phased-in basis. See Note 5 to the Unaudited Consolidated Financial Statements.

Changes in Financial Condition

Total assets increased $53.3 million, or 12.5%, from $425.1 million at September 30, 1991 to $478.4 million at March 31, 1992. This increase is primarily attributable to increases in loans receivable and mortgage-related securities. These increases were primarily a result of the investment of net proceeds of $36.5 million received in the Bank's conversion to a stock savings institution and net proceeds of $35.0 million from the acquisition of deposits from the RTC. Loans receivable increased by $20.0 million to $310.6 million as of March 31, 1992 from $290.6 million as of September 30, 1991. This increase was primarily due to the increase in loan origination volume resulting from lower market interest rates and an active local real estate market. The increase in mortgage-related securities during the six months ended March 31, 1992 was primarily due to (1) purchases of $24.9 million of real estate mortgage investment conduits ("REMICs") with estimated average lives of two to three years with an average yield of 7.30% backed by FNMA and FHLMC mortgage securities, and (2) purchases of $18.0 million of 15 year fixed-rate FNMA and FHLMC mortgage securities with an average yield of 7.59%.

Deposits increased $22.2 million, or 6.0%, from $368.4 million at September 30, 1991 to $390.6 million at March 31, 1992. This increase was primarily a result of the acquisition of $35.0 million of branch deposits from the RTC, offset by a decrease in deposits by customers who authorized withdrawals from their accounts to purchase stock issued in the Bank's conversion to a stock institution.

Asset Quality

The Holding Company and Bank regularly review assets to determine proper valuation. Management's monitoring of the asset portfolio includes review of historical loss experience, known and inherent risks in the portfolio, the value of any underlying collateral, and prospective economic conditions. Loans are placed on nonaccrual status when either principal or interest is more than 90 days past due.

The following table set forth information regarding the Bank's non-accrual loans, restructured loans and foreclosed real estate at the dates indicated (dollars in thousands):

	At Quarter End				
	Mar. 31 1992	Dec. 31 1991	Sept. 30 1991	June 30 1991	Mar. 31 1991
Non-accruing loans:					
One- to four-family	$ 770	$ 905	$ 347	$ 209	$ 183
Commercial real estate	2,166	1,890	1,660	557	1,768
Commercial business	93	77		61	65
Consumer and other	2	5	8	--	
Total	3,031	2,877	2,015	827	2,016
Restructured loan (Shopping center)	1,168	1,168	--	--	--
Total non-performing loans	$4,199	$4,045	$2,015	$ 827	$ 2,016
Foreclosed assets:					
One- to four-family	$ 444	$ 397	$ 231	$ 209	$ 492
Commercial real estate	369	492	--	--	179
Total	$ 813	$ 889	$ 231	$ 209	$ 671
Total non-performing assets	$5,012	$4,934	$2,246	$1,036	$ 2,687
Non-performing loans to total loans	1.34%	1.63%	0.67%	0.30%	0.69%
Non-performing assets to total assets	1.05%	1.07%	0.53%	0.26%	0.63%

Non-performing loans increased from $2.0 million as of March 31, 1991 to $4.2 million as of March 31, 1992. This increase relates primarily to the loans discussed below.

In 1989 and 1990 the Bank made three loans totalling $2.4 million to a developer secured by lakefront residential properties located in Lake Geneva, Wisconsin. Included in this total is a loan secured by the developer's personal residence in the amount of $494,000 and two loans secured by properties renovated by the developer totalling $1.9 million. The developer's cashflow has been insufficient to service these loans and the loans were classified as nonperforming in December 1991. The developer has signed a contract to sell certain properties securing these loans to an unrelated party and $1.4 million of the nonperforming loans are expected to be paid in full when the sales are completed, which is expected to occur during the next quarter. In addition, past due amounts on the remaining nonperforming loan of $990,000 will be paid when the properties are sold. The value of the collateral on the $990,000 loan, which consists of a single family home with lake frontage and two additional lots with lake rights but no lake frontage, is well in excess of the loan balance.

In 1986, the Bank made a $1.4 million loan for the purchase of a discount "outlet" mall located in West Bend, Wisconsin. In connection with the purchase, the borrowers provided an additional $600,000 in cash from their own funds toward the purchase price of the property. During the last few years, the occupancy levels of the mall have declined and the Bank began to experience delinquencies on this loan. In December 1991 the Bank and the borrower restructured the loan providing for a shorter term (the maturity date was changed from January 2002 to May 1993), a lower interest rate (reduced from 10% to 8%) and a lower interest payment rate (6%). In addition, the general partners of the borrower agreed to defer the payment of any future management fees until all required principal and interest payments have been made. The current balance of the loans is $1.2 million. The borrower has not yet been successful in obtaining additional tenants and the property does not generate sufficient cashflow to service the restructured loan. Management is considering foreclosure action.

Allowance for Loan Losses

The following table sets forth an analysis of the Bank's allowance for loan losses (dollars in thousands):

	Six Months Ended March 31, 1992	Year Ended September 30, 1991	1990
Balance at beginning of period	$ 2,904	$ 572	$ 487
Provision for losses on loans:			
One- to four-family	100	102	44
Multi-family and commercial real estate	188	1,263	41
Consumer	12	182	12
Commercial business	60	628	--
	360	2,175	97
Additions from loan purchases:			
One- to four-family	43	250	--
Multi-family and commercial real estate	535	--	--
	578	250	--
Recoveries:			
Multi-family and commercial real estate	34		
Consumer	11	12	14
Commercial business	2	1	--
	47	13	14
Charge-offs:			
One- to four family	(33)	--	--
Multi-family and commercial real estate	(123)	(49)	--
Consumer	(5)	--	(19)
Commercial business	(2)	(57)	(7)
	(163)	(106)	(26)
Net charge-offs	(116)	(93)	(12)
Balance at end of period	$ 3,726	$2,904	$ 572
Ratio of net charge-offs to average loans outstanding during the period (annualized)	.08%	.03%	.00%
Allowance for loan losses to non-performing loans at end of the period	88.7%	144.1%	207.2%
Allowance for loan losses to total loans at end of the period	1.20%	1.00%	0.21%

While management believes that it uses the best information available to determine the allowance for loan losses, unforeseen market conditions could result in adjustments and net earnings could be significantly affected if circumstances differ substantially from the assumptions used in making the final determination.

* * * * * * * * *

Results of Operations - Comparison of the Three Months Ended March 31, 1992 and 1991

General

Net income for the three months ended March 31, 1992 was $1.1 million, compared to $486,000 for the comparable 1991 quarter. The $623,000 increase in net income was primarily due to increased net interest income and a lower provision for loan losses in the 1992 quarter as compared to the 1991 quarter.

Net Interest Income

The following table presents certain information related to net interest income (dollars in thousands):

	For the Three Months Ended March 31	
	1992	1991
Average interest-earning assets	$ 455,079	$ 367,425
Total interest income	10,036	9,208
Average yield on interest-earning assets	8.82%	10.02%
Average interest-bearing liabilities	$ 423,975	$ 335,273
Total interest expense	5,706	5,904
Average rate on interest-bearing liabilities	5.38%	7.04%
Net earning assets	$ 31,104	$ 32,152
Net interest income before provision for loan losses	4,330	3,304
Net interest rate spread	3.44%	2.98%

Net interest income before provision for loan losses was $4.3 million for the three months ended March 31, 1992, compared with $3.3 million for the comparable 1991 quarter, an increase of $1.0 million, or 30.3%. This increase is primarily due to a $87.6

million increase in average interest-earning assets for the 1992 quarter compared to the 1991 quarter and an increase in the average rate spread to 3.44% for the 1992 quarter compared to 2.98% for the 1991 quarter. The increase in average interest-earning assets is primarily due to the acquisition of deposits of branches located in Zion and Gurnee, Illinois and an increase in deposits by customers who ordered the Holding Company's stock in the Bank's conversion to a stock institution. The increase in interest rate spread is primarily due to lower market interest rates nationally during the 1992 quarter compared to the 1991 quarter which enabled the Bank to decrease the average rate on interest-bearing liabilities to a greater extent than the decrease in the average yield on interest-earning assets.

Provision for Loan Losses

The provision for loan losses was $180,000 for the three months ended March 31, 1992 compared to $652,000 for the comparable 1991 quarter, a decrease of $472,000. The provisions recorded in the 1992 quarter bring the allowance for loan losses to $3.7 million, or 88.7% of non-performing loans at March 31, 1992.

Non-interest Income

Non-interest income was $637,000 for the three months ended March 31, 1992 compared to $535,000 for the comparable 1991 quarter, an increase of $102,000. This increase is primarily due to increased service charges on deposit accounts and increased equity in net income of unconsolidated partnerships.

Non-interest Expense

Non-interest expense was $2.9 million for the three months ended March 31, 1992 compared to $2.1 million for the comparable 1991 quarter, an increase of $800,000. This increase is primarily due to additional expenses, including amortization of intangible assets, relating to the Gurnee, Illinois branch purchased in September 1991 and the Zion, Illinois branch purchased in November 1991. This increase is also due to the opening of a branch in a grocery store located in Kenosha, Wisconsin during November 1991. Salary and benefits was $1.4 million for the 1992 quarter compared to $1.0 million for the comparable 1991 quarter. This increase was also primarily due to the additional branches purchased during 1991.

Results of Operations - Comparison of the Six Months Ended March 31, 1992 and 1991

General

Net income for the six months ended March 31, 1992 was $2.0 million, compared to $1.1 million for the comparable 1991 period. The $900,000 increase in net income was primarily due to increased net interest income and a lower provision for loan losses in the 1992 period as compared to the 1991 period.

Net Interest Income

The following table presents certain information related to net interest income (dollars in thousands):

	For the Six Months Ended March 31	
	1992	1991
Average interest-earning assets	$ 443,693	$ 369,832
Total interest income	19,846	18,700
Average yield on interest-earning assets	8.95%	10.11%
Average interest-bearing liabilities	$ 412,128	$ 335,616
Total interest expense	11,765	12,067
Average rate on interest-bearing liabilities	5.71%	7.19%
Net earning assets	$ 31,565	$ 34,216
Net interest income before provision for loan losses	8,081	6,633
Net interest rate spread	3.24%	2.92%

Net interest income before provision for loan losses was $8.1 million for the six months ended March 31, 1992, compared to $6.6 million for the comparable 1991 period, an increase of $1.5 million, or 22.7%. This increase is primarily due to a $73.9 million increase in average interest-earning assets for the 1992 period compared to the 1991 period and an increase in the average rate spread to 3.24% for the 1992 period comparted to 2.92% for the 1991 period. The increase in average interest-earning assets is primarily due to the acquisition of deposits of branches located in Zion and Gurnee, Illinois and an increase in deposits by customers who ordered the Holding Company's stock in the Bank's conversion to a stock insitution. The increase in interest rate spread is primarily due to lower market interest rates nationally during the 1992 period compared to the 1991 period, which enabled the Bank to decrease the average rate on interest-bearing liabilities to a greater extent than the decrease in the average rate on interest-earning assets.

Provision for Loan Losses

The provision for loan losses was $360,000 for the six months ended March 31, 1992 compared to $1.2 million for the comparable 1991 period, a decrease of $840,000. The Bank plans to continue to monitor and modify its allowance for loan losses based on its review of its loan portfolio and general economic conditions.

Non-interest Income

Non-interest income was $1.3 million for the six months ended March 31, 1992 compared to $1.0 million for the comparable 1991 period, an increase of $300,000. This increase is primarily due to increased service charges on deposits accounts and increased gains on sales of loans. This increase in gains on sales of loans is primarily due to an increase in the volume of fixed-rate loan sales resulting from an increase in fixed-rate loan originations caused by a general decline in interest rates.

Non-interest Expense

Non-interest expense was $5.6 million for the six months ended March 31, 1992 compared to $4.2 million for the comparable 1992 period, an increase of $1.4 million. This increase is primarily due to additional expenses, including amortization of intangible assets, relating to the Gurnee, Illinois branch purchased in September 1991 and the Zion, Illinois branch purchased in November 1991. This increase is also due to the opening of a branch in a grocery store located in Kenosha, Wisconsin during November 1991.

Part II - Other Information

Item 1 Legal Proceedings

The Holding Company and Bank are not engaged in any legal proceedings of a material nature at the present time.

Item 2 Changes in Securities

Not applicable.

Item 3 Default upon Senior Securities

Not applicable.

Item 4 Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5 Other information

None

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibit 11. Statement re: Computation of Per Share Earnings

Quarter Ended March 31, 1992

1.	Net income	$1,109,000
2.	Weighted average common shares outstanding	3,300,000
3.	Common stock equivalents due to dilutive effect of stock options	83,262
4.	Total weighted average common shares and equivalents outstanding	3,383,262
5.	Earnings per share	$ 0.33

(b) There were no reports on Form 8-K filed during the quarter for which this report is filed.

Signatures

Advantage Bancorp, Inc.
(registrant)

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 12, 1992

Paul P. Gergen
Chairman of the Board
Chief Executive Officer

Date: May 12, 1992

John Stampfl
Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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(Mark One)

Q-35882

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31,1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 2-96334-NY

AIRSHIP INTERNATIONAL LTD.
(Exact name of registrant as specified in its charter)

New York	06-1113228
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

7380 Sand Lake Road, Suite 200
Orlando, Florida 32819
(Address of Principal Executive Offices)
(Zip Code)

(407) 351-0011
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_____

The number of shares outstanding of common stock, $.01 par value, as of May 11, 1992 was 20,040,754 shares.

Page 1 of 11 pages.

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AIRSHIP INTERNATIONAL LTD.
BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
AIRSHIPS AND RELATED EQUIPMENT:		
Airships	$ 11,978,000	$11,978,000
Vehicles	793,000	793,000
Parts and equipment	1,846,000	1,827,000
	14,617,000	14,598,000
Less: Accumulated depreciation and amortization	2,229,000	1,982,000
	12,388,000	12,616,000
CASH AND EQUIVALENTS	349,000	1,064,000
DUE FROM TRANSCONTINENTAL AIRLINES, INC., AN AFFILIATE	1,480,000	1,356,000
PREPAID INSURANCE	603,000	956,000
DEFERRED FINANCING COSTS, LESS ACCUMULATED AMORTIZATION	293,000	289,000
OTHER ASSETS	231,000	255,000
	$ 15,344,000	$16,536,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
LIABILITIES:		
Accounts payable - trade	$ 568,000	$ 902,000
Accrued expenses and other liabilities	1,087,000	1,244,000
Insurance financing	467,000	904,000
Capital leases and loans payable	9,306,000	8,707,000
Loans payable to related parties	1,783,000	2,152,000
Total Liabilities	13,211,000	13,909,000
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value: Authorized - 10,000,000 shares, none issued		
Common stock, $.01 par value: Authorized - 30,000,000 shares Issued and outstanding -18,898,000 and 17,307,000 shares	189,000	173,000
Capital in excess of par value	15,098,000	14,698,000
Accumulated deficit	(13,154,000)	(12,244,000)
Total Stockholders' Equity	2,133,000	2,627,000
	$ 15,344,000	$16,536,000

See accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1992	1991
AIRSHIP REVENUES	$ 1,687,000	$ 1,793,000
COSTS AND EXPENSES:		
Operating costs	1,676,000	1,401,000
Selling, general and administrative	565,000	384,000
	2,241,000	1,785,000
OPERATING INCOME (LOSS)	(554,000)	8,000
OTHER INCOME(EXPENSE):		
Interest expense	(389,000)	(409,000)
Interest, royalties and other income	33,000	61,000
	(356,000)	(348,000)
NET LOSS	$(910,000)	$(340,000)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	17,782,000	11,937,000
NET LOSS PER SHARE	$ (.05)	$ (.03)

Unaudited - See accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Capital in Excess of Par Value	Accumulated Deficit
	Shares	Amount		
BALANCES AT DECEMBER 31, 1991	17,307,000	$173,000	$14,698,000	$(12,244,000)
THREE MONTHS ENDED MARCH 31,1992:				
Conversion of warrants into common stock	1,427,000	14,000	306,000	-
Sale of common stock to private investors	164,000	2,000	79,000	-
Fair value of options issued in connection with loan	-	-	15,000	-
Net Loss	-	-	-	(910,000)
BALANCES AT MARCH 31,1992	18,898,000	$ 189,000	$15,098,000	$(13,154,000)

Unaudited - see accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (910,000)	$(340,000)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	247,000	210,000
Other - net	28,000	21,000
Changes in operating assets and liabilities:		
Prepaid insurance	353,000	167,000
Other assets	19,000	(38,000)
Insurance financing	(437,000)	(55,000)
Accounts payable - trade	(334,000)	(653,000)
Accrued expenses and other liabilities	(157,000)	(109,000)
Net cash flows from operating activities	(1,191,000)	(797,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of airships and related equipment	(19,000)	(201,000)
Advance to affiliate	(124,000)	-
Net cash flows from investing activities	(143,000)	(201,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of loans payable	1,000,000	1,400,000
Principal payments on capital leases and loans payable	(407,000)	(955,000)
Proceeds from issuance of convertible subordinated notes	-	67,000
Net borrowings from (payments to) related parties	(370,000)	60,000
Net proceeds from issuance of common stock	401,000	4,816,000
Certificate of deposit held in escrow	-	(28,000)
Deferred financing costs incurred	(5,000)	-
Net cash flows from financing activities	619,000	5,360,000
NET CHANGE IN CASH AND EQUIVALENTS	(715,000)	4,362,000
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	1,064,000	-
CASH AND EQUIVALENTS, END OF PERIOD	$ 349,000	$ 4,362,000
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 250,000	$ 584,000
Warrants granted for loan	$ 15,000	$ -
Conversion of debt to equity	$ -	$ 192,000

Unaudited - see accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Basis of Presentation:

The balance sheet at the end of the preceding fiscal year has been derived from the audited balance sheet and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments which include only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements and notes thereto for the most recent fiscal year.

Note 2 - Transactions with Related Parties:

Due from Affiliate - During the three month period ended March 31, 1992, the Company made advances of $124,000 to Transcontinental Airlines, Inc. ("Transcontinental"). Mr. Louis J. Pearlman owns 21% of Transcontinental and is the Company's Chairman of the Board, President and Principal Stockholder. The advances were made to obtain higher yields and, at March 31, 1992, totaled $1,480,000. Transcontinental subsequently pledged a $1,525,000 bank certificate of deposit due December 31, 1992 as collateral for this advance.

Loan Payable to Affiliate - A $227,000 loan from Transcontinental was repaid in February 1992.

Loans from Principal Stockholder- During the three month period ended March 31, 1992, an additional $72,000 in salaries and interest became payable to Mr. Pearlman. During the same period, $215,000 was repaid to Mr. Pearlman. As a result, at March 31, 1992 the Company owed Mr. Pearlman $1,783,000, net of $34,000 of unamortized discount.

Note 3- Loans Payable and Issuance of Warrants:

In December 1991, a stockholder and the Company entered into a line-of-credit agreement, pursuant to which the stockholder and certain others loaned the Company $1,000,000 in January and February 1992. The loans are collateralized by certain vehicles and equipment, bear interest at 12% per annum and mature on December 31, 1992. The lenders received warrants to purchase 1,100,000 shares of common stock, (550,000 issued in both December 1991 and February 1992), through December 31, 1994 at an exercise price of $.50 per share, subject to adjustment.

On May 8, 1992 the Company issued five year warrants to Mr. Pearlman to purchase 2,000,000 shares of common stock at an exercise price of $.10 per share, subject to adjustment. These warrants were issued in connection with a restructuring of the loans due to Mr. Pearlman including limiting the annual repayment amount, extending repayment through May 31, 1997 and reducing the interest rate.

On April 17, 1992 the Company issued three year warrants to Emanuel and Company ("Emanuel") to purchase 1,450,000 shares of common stock at an exercise price of $1.00 per share, subject to adjustment. The warrants were issued in connection with the sale of 1,048,000 shares of common stock to private investors during April 1992 which was arranged by Emanuel. The investors received three year warrants to purchase 1,048,000 shares of common stock at an exercise price of $1.25 per share, subject to adjustment.

Note 4 - Common Stock:

During the three month period ended March 31, 1992, 1,427,000 shares of common stock were issued, and $320,000 was received, upon the conversion of warrants, of which 1,110,000 shares were issued to Mr. Pearlman in March 1992 for $100,000. In addition, 164,000 shares of common stock were sold to private investors for $81,000, including 30,000 shares issued to a placement agent, in lieu of a commission, for shares sold to private investors between November 1991 and February 1992.

Note 5 - Contingencies:

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the annual financial statements, the Company has suffered significant net losses in 1991 and 1990 resulting in significant negative cash flows from operating activities, has significant debt repayments due in 1992 (in part due to noncompliance with the capital expenditures limitation in a loan covenant), pending litigation and other factors that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the annual financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In February 1992, a prospective lender (the "Lender") commenced an action against the Company and others seeking in excess of $1,000,000 in damages based on the alleged failure by the Company to provide adequate collateral and security in connection with certain alleged financing agreements with the Lender. The Company retained the Lender in July 1991, paid a commitment fee and received a commitment from the Lender who then failed to provide the funding.

The Company and the other defendants answered the complaint in February 1992 by denying all of the substantive allegations and asserting several affirmative defenses. In addition, the Company asserted certain counterclaims against the Lender and its two principals for breach of a commitment letter pursuant to which the Lender was to arrange for a $9 million loan to the Company, breach of a compromise agreement accepted by the Lender in January 1992, pursuant to which the Lender was to provide funding to the Company in the amount of $7 million, breach of an escrow agreement, pursuant to which the Lender was to return $200,000 of the commitment fee paid by the Company and various other counterclaims.

In the opinion of management and counsel, the prospective Lender's lawsuit is spurious, intended to harass and is without merit and the Company's counterclaims are meritorious. The Company intends to vigorously defend against the Lender's unfounded claims and diligently prosecute its counterclaims.

The Company is a defendant in a number of other legal proceedings which occurred in the course of business, including additional taxes and other possible claims related to Airship USA, an unaffiliated company. Those cases in which the ultimate settlement is known or estimable have been accrued in the financial statements.

It is not possible at this time to predict the outcome of the unsettled legal actions; however, in the opinion of management and informal advice of counsel, the disposition of these other lawsuits will not have a material effect on the financial statements.

MANAGEMENTS DISCUSSION AND ANALYSIS

OVERALL FINANCIAL CONDITION

The Company's total assets decreased $1,192,000 during the three months ended March 31, 1992. During the same period, total debt decreased $698,000 and equity decreased $494,000. These changes were primarily related to the net loss for the three months ended March 31, 1992 and the payment of both short term liabilities and loans, offset by receipts from the issuance of common stock and loans payable.

RESULTS OF OPERATIONS

The Company experienced a net loss of $910,000 for the three month period ended March 31, 1992 compared to a net loss of $340,000 for the same period of the prior year.

Airship revenues for the first three months of 1992 were $1,687,000, a decrease of $106,000 compared to the comparable period of 1991, primarily due to $195,000 of reduced revenues from the Metropolitan Life agreement. The reduction in such revenue was offset by revenues earned from sightseeing tour rides of $136,000. Revenues of $47,000 were earned in 1991 from maintenance services provided and not repeated in 1992.

Operating costs for the three months ended March 31, 1992 increased $275,000 from the comparable period of 1991 mainly from operation of the passenger airship ($449,000), rented warehouse facilities in Florida and North Carolina ($65,000) offset by savings in the operation of the airships for Metropolitan Life and Sea World ($239,000). These savings are primarily related to insurance, travel and crew payroll related costs.

Selling, general and administrative costs for the three months ended March 31, 1992 increased $181,000 compared to the comparable period of 1991, primarily due to salaries and related costs ($9,000), the relocation of the office to Florida ($16,000), travel and other office costs ($42,000) and professional fees ($50,000) related to increased corporate activity, consulting costs ($28,000) and costs related to the operation of the passenger airship ($36,000).

LIQUIDITY AND CAPITAL RESOURCES

During the three month period ended March 31, 1992 the liquidity of the Company benefitted from the issuance of common stock for net proceeds of $401,000 offset by the net loss and a net reduction in liabilities.

The Company issued 164,000 shares of common stock (including 30,000 as a commission) to private investors for $81,000 and received $320,000 upon the conversion of warrants into 1,427,000 shares of common stock. The Company estimates that its cash requirements for the remainder of 1992 will be met through the expected conversion of outstanding warrants into common stock or through a secondary public and/or private offering of equity securities, although there can be no assurances that such financings will be completed. During April 1992, the Company sold 1,048,000 shares of common stock to private investors for net proceeds of $1,245,000. The investors and the placement agent also received warrants to purchase common stock (see Note 3).

The operation of the passenger airship which commenced operation in September 1991 ended March 22, 1992. The airship will resume operations under the Bud One contract in mid May 1992. The losses associated with the operation of the passenger airship ($325,000 in fiscal year 1991 and $313,000 during the first quarter of 1992) will cease when the Bud One contract commences. Monthly revenues for the initial six month contract term will exceed by $100,000 the average revenues from operation of the passenger airship since commencement in 1991. In addition, the Company is receiving advance rentals which approximates the costs to convert the airship for the Bud One contract. If the Bud One contract is not terminated at the end of the initial six month period and Anheuser-Busch elects to have a night sign added to the airship, then monthly revenues would increase and the Company would be reimbursed travel costs. If a night sign is added to the airship it will be financed and subsequently paid from proceeds from its operation.

The Company continues to experience negative cash flows from operating activities and Management expects this will continue until a total of at least four airships are in service, including revenues from an anticipated Bud One Night Sign as described above. Positive cash flows from operating activities may be achieved from three airships if sufficient funds are received from the financing referred to above and used to retire outstanding debt. The Company plans to assemble two additional airships. The Company may experience negative cash flows during the construction phase of each additional airship. However, once each additional airship is completed and placed in service and certain anticipated cost savings are realized, Management expects that the Company will have a positive cash flow from operating activities.

Management believes that the balance of the proceeds of the February 1991 Offering will be sufficient to complete the assembly of and put into service a fourth airship and begin construction on a fifth. The Company is currently in discussions with several potential clients for use of these additional airships. However, there can be no assurance that any of these negotiations will be successfully concluded. The Company intends to finance the night signs from their manufacturer if any clients require them.

The Company has not had existing bank lines of credit available to provide additional working capital, and has previously received substantial financing from Mr. Pearlman in the form of loans and guarantees which supplement the funds available from the Company's operations. Mr. Pearlman has also guaranteed the Company's obligations under the lease for the Met Life airship and the loan for the Sea World airship. There can be no assurance that Mr. Pearlman will make additional cash advances or loans or give further personal guarantees if the Company requires additional capital.

PART II - OTHER INFORMATION

Item 1- LEGAL PROCEEDINGS.

See Note 5 of Notes to Financial Statements.

Item 6- EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits
None

(b) Reports on Form 8-K during period.
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIRSHIP INTERNATIONAL LTD.

Dated: May 13, 1992

By:
Seth M. Bobet
Vice President of Finance and
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15 (d) of
The Securities Exchange Act of 1934

For the quarter ended May 30, 1992

Commission File Number 0-4173

DMI FURNITURE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	41-0678467
(State or other jurisdiction of incorporation or organization)	(IRS Employer ID Number)

One Oxmoor Place, 101 Bullitt Lane
Louisville, Kentucky 40222
(Address of principal executive offices)

Registrant's telephone number, including area code (502) 426-4351

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class - Common Stock, Par Value $.10 per Share

Outstanding at June 19, 1992 - 2,928,000

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PART I. FINANCIAL INFORMATION

DMI FURNITURE, INC.

BALANCE SHEETS
(Amounts in thousands)

ASSETS	Unaudited May 30, 1992	Aug. 31, 1991
Current assets:		
Cash	$21	$17
Accounts receivable - net (Note 6)	6,837	6,246
Inventories (Note 4)	10,039	9,404
Other current assets	466	416
Total current assets	17,363	16,083
Notes receivable	136	177
Property, plant and equipment - at cost	15,783	15,518
Less accumulated depreciation	6,891	6,365
Net property, plant and equipment	8,892	9,153
Other assets:		
Intangible pension asset	779	770
Other	47	175
	826	945
	$27,217	$26,358

See accompanying notes.

DMI FURNITURE, INC.

BALANCE SHEETS
(continued)
(Amounts in thousands)

	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY	May 30, 1992	Aug. 31, 1991
Current liabilities:		
Trade accounts payable	$4,778	$4,120
Accrued liabilities	1,608	1,381
Accrued dividends on preferred stock (Note 5)	252	-
Long-term debt due within one year (Note 7)	536	534
Total current liabilities	7,174	6,035
Long-term liabilities:		
Long-term debt (Note 7)	12,071	12,695
Accrued pension costs	1,223	1,223
Deferred compensation	643	678
	13,937	14,596
Stockholders' equity:		
Series C convertible preferred stock, $2 par value, 2,020,000 authorized and outstanding	4,040	4,040
Common stock	292	292
Additional paid-in capital	14,852	14,852
Retained deficit	(13,078)	(13,457)
Total stockholders' equity	6,106	5,727
	$27,217	$26,358

See accompanying notes.

DMI FURNITURE, INC.

STATEMENTS OF INCOME

(Amounts in thousands)

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	May 30, 1992	June 1, 1991	May 30, 1992	June 1, 1991
Net sales	$12,363	$11,571	$35,996	$34,298
Cost of sales	9,952	9,571	29,026	27,942
Gross profit	2,411	2,000	6,970	6,356
Selling, general and administrative expenses	1,877	1,617	5,412	4,873
	534	383	1,558	1,483
Interest expense (net)	(274)	(324)	(877)	(1,056)
Income before income taxes	260	59	681	427
Provision for income taxes (Note 2)	(20)	(3)	(50)	(32)
Net income	240	56	631	395
Accrued dividends on Series C preferred stock	157	37	252	188
Income applicable to common stockholders	$83	$19	$379	$207
Earnings per common share (Note 3)	$.04	$.01	$.11	$.07

See accompanying notes.

DMI FURNITURE, INC.

STATEMENTS OF CASH FLOWS

(Amounts in thousands)
(Unaudited)

	Nine Months Ended	
	May 30, 1992	June 1, 1991
Cash flows from operating activities:		
Net income	$631	$395
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	557	552
Pension costs	(9)	-
Deferred compensation	(35)	(35)
Changes in assets and liabilities:		
Accounts receivable	(591)	395
Inventories	(635)	870
Other assets	78	63
Trade accounts payable	658	(212)
Accrued liabilities	227	(113)
Total adjustments	250	1,520
Net cash provided by operating activities	881	1,915
Cash flows provided (used) by investing activities:		
Capital expenditures (Note 6)	(296)	(301)
Payments received on notes receivable	41	53
Cash (used) by investing activities	(255)	(248)

See accompanying notes.

DMI FURNITURE, INC.

STATEMENTS OF CASH FLOWS
(continued)
(Amounts in thousands)
(Unaudited)

	Nine Months Ended	
	May 30, 1992	June 1, 1991
Cash flows provided (used) by financing activities:		
Net borrowings under line-of-credit agreement	($4)	($1,092)
(Payments) additions to long-term debt	(618)	(273)
Cash dividends on preferred stock	-	(303)
Cash provided (used) by financing activities	(622)	(1,668)
Increase in cash and short-term investments	4	(1)
Cash and short-term investments, beginning of period	17	10
Cash and short-term investments, end of period	$21	$9
Cash paid for:		
Interest	$827	$1,010
Income taxes	$21	$60

See accompanying notes.

DMI FURNITURE, INC.

Notes to Financial Statements

(1) Financial Statements

The financial statements included herein at May 30, 1992 and for the three and nine months ended May 30, 1992 and June 1, 1991 are unaudited but include all adjustments which are, in the opinion of management, necessary to a fair presentation of the results of operations and financial position for the periods covered herein. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

The results of operations for the interim periods are not necessarily an indication of the results to be expected for the full 1992 fiscal year.

(2) Income Taxes

The provisions for income taxes on the statements of income are for various state and local income taxes. At August 31, 1991, the Company had for income tax purposes a net operating loss carryforward of approximately $5,400,000 and an investment tax credit carryforward of approximately $268,000. The net operating loss and investment tax credit carryforwards will expire in various years through fiscal 2002. The Company had additional operating loss carryforwards for accounting purposes of approximately $2,154,000 which represent the net aggregate book deductions which have not yet been deducted for tax purposes.

(3) Earnings Per Common Share

Earnings per common share are based on the weighted average number of common and common equivalent shares outstanding during the period, and assumes the conversion of the Series C Preferred Stock into common stock.

(4) Inventories

Inventories were comprised of the following at May 30, 1992 and August 31, 1991:

	May 30, 1992	August 31, 1991
Finished Products	$5,385,000	$4,687,000
Work in Process	777,000	759,000
Raw Materials	3,877,000	3,958,000
TOTAL	$10,039,000	$9,404,000

(5) Dividends

The dividends on Series C Preferred Stock accrued in a fiscal year are not payable until the following fiscal year.

(6) Accounts receivable - net

On January 3, 1992, the Company was notified that a customer, which accounted for 3.7% of the Company's total sales for the first quarter of fiscal 1992, had filed for protection under Chapter 11 of the United States Bankruptcy laws. There is insufficient information available at this time to determine the exact amount, if any, that the Company can expect to recover from the receivable. Accordingly, the Company booked an additional bad debt reserve of $232,000 in the first fiscal quarter ended November 30, 1991 and an additional $95,000 in the second fiscal quarter ended February 29, 1992 against the account receivable from this customer.

(7) Long term debt

The Company's revolving line of credit, which originated in 1987 (balance at May 30, 1992 - $6,432,340) expires in September, 1992. In addition, a $2,361,098 payment on the Company's bank term loan, which also originated in 1987, is payable in September, 1992.

The Company is confident that a revolving line of credit of a duration in excess of one year and a refinancing of the term loan balance payment will be agreed upon prior to September, 1992. The Company is currently evaluating proposals from both its' current bank lender and other large regional banks with respect to this refinancing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Revenue - Net sales for the third quarter of fiscal 1992 increased by $792,000 or 6.8% over the third quarter of fiscal 1991. This increase is the result of increased sales in all of the Company's product lines due to improving economic conditions and sales of new product introductions.

Net sales for the first nine months of fiscal 1992 increased by $1,698,000 or 5% over the first nine months of fiscal 1991. This increase is the result of a 19% increase in the sales of the Company's office furniture line partially offset by a decrease in sales of residential desks and bedroom furniture. The increase in sales of office furniture is the result of new customers with regional and national distribution and improving economic conditions.

Gross Margin - The Company's gross margin in the third quarter of fiscal 1992 was 19.5% compared to 17.3% in the third quarter of fiscal 1991. This increase in gross margin is the result of a favorable product sales mix, higher production levels than in 1991, and lower desk top material costs as a result of the Company's vertically integrated desk top manufacturing operation begun in the second quarter of fiscal 1991.

Gross margin for the first nine months of fiscal 1992 was 19.4% compared to 18.5% for the first nine months of fiscal 1991. This increase is a result of the reasons mentioned above.

Selling, General and Administrative (S,G&A) Expense - For the third quarter of fiscal 1992, S,G&A expense amounted to $1,877,000 or 15.2% of sales, while for the third quarter of fiscal 1991, S,G&A expense amounted to $1,617,000 or 14% of sales. This increase as a percentage of sales is the result of higher sales promotion, legal and general administrative expenses.

For the first nine months of fiscal 1992, S,G&A expense totaled $5,412,000 or 15% of sales, while for the first nine months of fiscal 1991, S,G&A expense totaled $4,873,000 or 14.2% of sales. The increase in these expenses as a percentage of sales is a result of increased bad debt expense in the first and second fiscal quarters partially offset by proceeds from the death benefit of life insurance policies on a former key employee of a former subsidiary of the Company and the reasons mentioned above.

Interest Expense - For the third quarter of fiscal 1992, net interest expense was $274,000, compared to $324,000 for the third quarter of fiscal 1991. This decrease is the result of lower interest rates than in the previous year offset by higher average bank debt balances due to increased levels of accounts receivables and inventories to support the increased sales volume.

Net interest expense for the first nine months of fiscal 1992 was $877,000 compared to $1,056,000 for the first nine months of fiscal 1991. This decrease is the result of the reasons mentioned above.

Liquidity and Capital Resources - Demands for funds relate to payments for raw materials and other operating costs, debt obligations, accrued preferred stock dividends, and capital expenditures. The Company's ability to generate cash adequate to meet short and long-term needs is dependent on the collection of accounts receivable and from its ability to borrow funds. On June 18, 1992the Company had $1,561,000 additional borrowings available under the formula for calculating its available borrowings under a bank revolving credit agreement. The Company's days of sales outstanding of accounts receivable averaged 50 days for the third quarter of fiscal 1992, compared to 47 days for the third quarter of fiscal 1991. For the first nine months of fiscal 1992, the days of sales outstanding of accounts receivable averaged 51 days compared to 48 days for the same period in fiscal 1991. The Company's average days of inventory on hand averaged 90 days for the third quarter of fiscal 1992, compared to 84 days for the third quarter of fiscal 1991. The Company's average days of inventory on hand averaged 92 days for the first nine months of fiscal 1992 compared to 88 days for the first nine months of fiscal 1991. The Company's order backlog at May 30, 1992 was $6,090,000, a 41% decrease from $10,369,000 at the same time last year. This decrease is primarily due to the shorter lead times the Company's customers are providing.

The Company has been named as a potentially responsible party ("PRP") at the Keystone Sanitary Landfill Superfund site (the "Keystone site") in Union Township, Pennsylvania pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). The EPA has estimated that the cost of clean-up in accordance with EPA's preferred remedy for the on-site contamination is currently between $12,000,000 and $16,000,000. EPA has previously identified the Company as one of over 1,600 customers at the Keystone site. The EPA is currently negotiating a settlement with ten PRP's which each sent less than 6,500 cubic yards of material to the Keystone site. On June 28, 1991, the EPA also issued an Administrative Order pursuant to Section 106 of CERCLA to 12 PRP's requiring cleanup of the on-site contamination. The EPA did not consider the Company eligible for the de minimis settlement, but did not name the Company in the Administrative Order. The Company anticipates that additional responsible parties will be identified, and liability, if any, for any proposed remedy will ultimately be allocated based upon the relative responsibility of all the present and prospective PRP's. Until the other PRP's have been identified, and any liability, which is generally determined based upon relative volumetric contribution, has been allocated by agreement, an allocation consultant or otherwise, the Company's potential liability cannot be estimated.

The Company does not believe any events are probable which would materially change its present liquidity position, which is adequate to satisfy known demands for funds for operations and to pay bank and other debt. (See Note 7)

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

11. Calculations of earnings per share.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the third quarter of fiscal 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DMI FURNITURE, INC.

(Registrant)

Date: July 6, 1992

Joseph G. Hill
Vice President-Finance,
Chief Financial Officer,
Secretary and Treasurer

EXHIBIT 11.

DMI FURNITURE, INC.

CALCULATIONS OF EARNINGS PER SHARE

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	May 30, 1992	June 1, 1991	May 30, 1992	June 1, 1991
Net income	$240,000	$56,000	$631,000	$395,000
Average shares of common stock and equivalents outstanding:				
Average common shares outstanding	2,928,000	2,924,972	2,926,654	2,898,051
Common stock equivalents--dilutive options, warrants and convertible preferred stock	2,930,902	2,905,793	2,910,373	2,898,438
Average shares of common stock and equivalents outstanding	5,858,902	5,830,765	5,837,027	5,796,489
Earnings per share applicable to common stockholders	$.04	$.01	$.11	$.07

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-11084

KOHL'S CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	39-1630919
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

N54 W13600 Woodale Drive, Menomonee Falls, Wisconsin 53051
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (414) 783-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 Days.

Yes X No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: May 30, 1992 Common Stock, Par Value $.01 Per Share, 35,038,217 Shares Outstanding.

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KOHL'S CORPORATION
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Consolidated Condensed Statements of Cash Flows for the Nine Months Ended May 25, 1991 and May 30, 1992 5

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Exhibits

KOHL'S CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

	May 25, 1991	August 31, 1991	May 30, 1992
	(Unaudited)		(Unaudited)
		(In Thousands)	
Assets			
Current assets:			
Cash	$11,256	$759	$829
Merchandise inventories	127,576	145,428	146,527
Other	3,741	5,388	7,041
	-------	-------	-------
Total current assets	142,573	151,575	154,397
Collateral account / Restricted cash	2,819	2,819	106,297
Property and equipment	120,330	124,951	141,770
Less accumulated depreciation	20,535	22,775	30,356
	-------	-------	-------
	99,795	102,176	111,414
Favorable leased assets	32,418	31,894	30,318
Financing and other deferred costs	10,693	10,586	11,012
Excess of cost of acquisition over net assets acquired	64,688	63,427	59,633
	-------	-------	-------
	$352,986	$362,477	$473,071
	========	========	========
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	$49,816	$70,845	$51,141
Accrued and other current liabilities	44,375	41,722	38,008
Income taxes payable	2,097	2,683	3,832
Deferred income taxes	2,467	1,803	0
Current portion of long-term debt and capital leases	7,202	1,880	1,001
	-------	-------	-------
Total current liabilities	105,957	118,933	93,982
Long-term debt	212,112	206,933	207,881
Capital leases	9,708	9,481	8,983
Deferred income taxes	13,260	12,309	7,047
Other long-term liabilities	6,227	8,223	25,629
Shareholders' equity:			
Common stock	272	272	352
Paid-in capital	24,728	24,728	129,345
Excess purchase price over carryover basis of Kohl's Holding Inc.	(31,485)	(31,485)	(31,485)
Retained earnings	12,207	13,083	31,337
Less treasury stock	-	-	-
	-------	-------	-------
Total shareholders' equity	5,722	6,598	129,549
	-------	-------	-------
	$352,986	$362,477	$473,071
	========	========	========

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(unaudited)

	13 Weeks Ended May 25,1991	13 Weeks Ended May 30,1992	39 Weeks Ended May 25,1991	39 Weeks Ended May 30,1992
	(In thousands except per share data)			
Sales	$217,420	$236,959	$659,812	$758,757
Cost of merchandise sold	143,844	155,088	441,186	503,649
Gross Margin	73,576	81,871	218,626	255,108
Operating expenses:				
Selling, general and administrative	55,365	59,219	157,268	182,404
Incentive compensation charge	0	17,735	0	17,735
Depreciation and amortization	2,946	3,426	8,686	9,950
Amortization of excess of cost of acquisition over net assets acquired	1,260	1,275	3,782	3,797
Preopening expenses	1,028	397	1,094	2,619
Operating income (loss)	12,977	(181)	47,796	38,603
Other expense:				
Interest expense, net	6,389	5,052	20,117	16,230
Amortization of deferred financing costs	463	345	1,335	988
Income (loss) before income taxes	6,125	(5,578)	26,344	21,385
Provision (credit) for income taxes	2,841	(2,134)	12,222	9,471
Income (loss) before extraordinary item	3,284	(3,444)	14,122	11,914
Extraordinary gain	0	0	0	1,329
Net income (loss)	$3,284	($3,444)	$14,122	$13,243
Earnings (loss) per share:				
Income (loss) before extraordinary item	$0.12	($0.12)	$0.53	$0.44
Extraordinary gain	0.00	0.00	0.00	0.05
Net income (loss)	$0.12	($0.12)	$0.53	$0.49
Weighted average number of common shares	26,663	27,911	26,663	27,047

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW

(Unaudited)

	39 Weeks Ended May 25, 1991	39 Weeks Ended May 30, 1992
	(In Thousands)	
Operating activities		
Net income	$14,122	$13,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,803	14,735
Incentive Compensation charge	-	17,735
Deferred income taxes	3,773	(2,341)
Interest-Junior Subordinated Notes	2,032	793
Gain on purchase of Junior Subordinated Notes		(2,164)
Other noncash charges	165	608
Changes in operating assets and liabilities	185	(22,254)
Net cash provided by operating activities	34,080	20,355
Investing activities		
Acquisition of property and equipment, net	(6,298)	(16,819)
Purchase of Restricted Investments	-	(106,297)
Net cash used for investing activities	(6,298)	(123,116)
Financing activities		
Proceeds from (deposits to) collateral account	2,729	(738)
Payment of financing and other deferred costs	2	(2,210)
Net borrowing (repayments) under working capital loan	(3,000)	12,000
Purchase of Junior Subordinated Notes	-	(9,217)
Payments of long-term debt and capital lease obligations	(17,059)	(1,701)
Proceeds of stock sale less stock issuance costs	-	104,697
Net cash used for financing activities	(17,328)	102,831
Net increase (decrease) in cash	10,454	70
Cash at beginning of period	802	759
Cash at end of period	$11,256	$829

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock $.01Par Value	Paid In Capital	Excess Purchase Price Over Historical Carryover Basis	Retained Earnings	Treasury Stock	Total
			(In thousands)			
Balance at August 31,1991	$272	$24,728	($31,485)	$13,083	$0	$6,598
Issuance of 8,065,000 common shares, net of stock issuance costs	$80	$104,617		-	-	$104,697
Tax benefit related to restricted common shares			-	$5,011	-	$5,011
Net income	-	-	-	$13,243	-	$13,243
Balance at May 30, 1992	$352	$129,345	($31,485)	$31,337	$0	$129,549

See accompanying Notes to Consolidated Condensed Financial Statements

KOHL'S CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for fiscal year end financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the financial statements and footnotes thereto included in the Company's registration Statement on Form S-1 (Reg. No. 33-46883) filed with the Securities and Exchange Commission which became effective on May 18, 1992.

2. Earnings per Share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during each period. Prior to May 18, 1992, and the initial public offering, the dilutive effect of certain restricted shares was reduced using the treasury stock method based on the tax benefits to be received by the Company when the restrictions lapsed. Subsequent to the initial public offering, calculations of earnings per share reflect all shares as outstanding.

3. Inventories

Merchandise inventories are stated at the lower of cost or market with cost determined by the last-in, first-out (LIFO) method. Inventories would have been $5,998,000 higher at May 25, 1991 and $4,389,000 higher at May 30, 1992, if they had been valued using the first-in, first-out method.

4. Extraordinary Gain

In November 1991, the Company purchased for $9,217,000 Junior Subordinated Notes with a carrying amount of $11,381,000 and recognized an extraordinary gain of $2,164,000 ($1,329,000 after tax). These Junior Subordinated Notes were all the notes previously held by a shareholder of the Company.

5. Initial Public Offering

On May 18, 1992, the Company completed an initial public offering of 9,675,000 shares of its common stock at a price of $14.00 per share. Of the 9,675,000 shares, 1,610,000 shares were sold by Selling Stockholders, and 8,065,000 shares were sold by the Company. On June 1, 1992, the Company used the net proceeds along with borrowings of $14,600,000 under the company's revolving credit facility to redeem all ($105,000,000) of its outstanding Floating Rate Senior Subordinated Notes due 1998 and all ($13,174,000) of its outstanding 13% Junior Subordinated Notes due 1998 and to pay interest accrued thereon through the date of redemption. In connection with this redemption, the Company expects to incur an extraordinary charge of $2,118,000 (after tax) in the fourth quarter of fiscal 1992 to write-off unamortized deferred financing fees and the remaining obligations under an interest rate cap agreement associated with the Senior Subordinated Notes.

On an unaudited basis, the proforma income before extraordinary items and proforma earnings per share before extraordinary items for the periods after giving effect to the initial public offering and the related reduction of indebtedness as if all had occurred at the beginning of the periods would be as follows:

	13 Weeks Ended 5/30/92	39 Weeks Ended 5/30/92
	(In thousands except per share data)	
Proforma income (loss) before extraordinary items	$(1,860)	$16,891
Proforma earnings (loss) per share before extraordinary items	$(.05)	$.48

In connection with the initial public offering and its Equity and Management Incentive Plans, the Company incurred, as of the closing of the offering, a non-recurring incentive compensation charge of $10,641,000 (after tax) based upon the initial public offering price of $14.00 per share. Effective as of the closing of the offering, the Company has amended these plans to set the value of the units granted thereunder to avoid further charges resulting from future increases in the market value of the common stock. Distributions, including interest accrued at 6%, will be paid out under these plans over a five year period which begins, with respect to each unit granted under the plans, five years after such unit was granted. The first payments will be made in January, 1994.

6. Stock Option Plans

In accordance with the 1992 Long Term Compensation Plan, 2,850,000 common shares may be granted to officers and key employees. In May, 1992 options for 637,937 shares were granted at market price. Such options vest over a four year period from date of grant and terminate 10 years from date of grant. At May 30, 1992, 2,212,063 shares remain available for future grant.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDIITONS AND RESULTS OF OPERATONS
THREE MONTHS ENDED MAY 1992

Results of Operations

The fiscal year ending August 29, 1992 contains 52 weeks. The comparable fiscal year ended August 31, 1991, contained 53 weeks. Third quarter 1992 began on March 1, 1992, while third quarter 1991 began on February 24, 1991. Fourth quarter 1992 will be 13 weeks while fourth quarter 1991 was 14 weeks.

At May 30, 1992, the Company operated 76 stores compared with 68 stores at the same time last year. Sales increased 9.0% while comparable store sales increased .1% in the third quarter of 1992 compared to the third quarter of 1991. For the nine months, total net sales increased 15.0% over the same period a year ago while comparable store sales increased 4.3%.

Gross margin for the third quarter of 1992 increased to 34.6% from 33.8% in the third quarter of 1991. For the nine months ended May 30, 1992, gross margin increased to 33.6% from 33.1% in the nine months ended May 25, 1991. This improvement is attributed to the gradual change in the Company's merchandise mix to include more higher-margin softlines and private label merchandise, offset in part by increased promotional pricing.

The company incurred a non-recurring incentive compensation charge of $17.7 million ($10.6 million after tax) in connection with the Initial Public Offering. Distributions, including interest, will be paid out over a five year period which begins, with respect to each unit granted under Equity and Management Incentive Plans, five years after such unit was granted. The payments will be made over seven years, with the first payment in January of 1994.

The reduction in interest expense for both the quarter and nine months ended May 30, 1992, compared to last year is attributed to lower interest rates than a year ago.

The net loss for the quarter was $3.4 million compared to net income of $3.3 million for the third quarter of 1991. Net income for the nine months ended May 30, 1992, was $13.2 million compared to $14.1 million last year. Net income for the quarter and year-to-date reflects the non-recurring incentive compensation charge. Before this charge, net income was $7.2 million for the quarter compared to $3.3 million for third quarter of 1991. Earnings per share before the charge were $.26 per share compared to $.12 per share for third quarter 1991. For the nine months ended May, income before extraordinary items and the incentive compensation charge increased 59.4% to $22.5 million from $14.1 million for the nine months last year. Excluding these items earnings per share increased to $.83 per share from $.53 for the nine months a year ago.

Supplemental Periods

The Company plans to change its fiscal year to end on the Saturda closest to January 31 in each year, commencing with January 30, 1993 The following table sets forth the unaudited results for the three month ended April:

	Three Months Ended	
	4/27/91	5/2/92
	(dollars in thousands, except per share data)	
Statement of Operations Data:		
Net sales	$191,126	$211,634
Cost of merchandise sold	127,661	139,176
Gross margin	63,465	72,458
Selling, general & administrative expenses	50,442	56,882
Depreciation & amortization	4,170	4,710
Preopening expenses	1,023	405
Operating income	7,830	10,461
Interest expense, net	6,898	5,552
Income before income taxes	932	4,909
Income taxes	432	2,111
Net income	$ 500	$ 2,798
Earnings per share	$ 0.02	$ 0.11

Seasonality

The Company's business is seasonal, reflecting increased consume buying in the fall "back-to-school" and Christmas seasons. In addition the Company's sales and income are affected by the timing of new stor openings.

Financial Condition and Liquidity

Cash provided by operating activities decreased from $34.1 million i the 39 weeks ended May 25, 1991, to $20.4 million in the 39 weeks ende May 30, 1992. This decrease was primarily due to preopening expenses an increases in working capital associated with the opening of new stores The Company's working capital increased from $32.6 million at August 31 1991, to $60.4 million at May 30, 1992, due mainly to the purchase o inventory for the five stores opened in November of 1991 and a stor opened in March of 1992. The Company expects working capital levels t continue to grow as new stores are opened.

Capital expenditures for the first nine months were $16.8 million compared to $6.3 million for the same period a year ago. Approximatel $11.5 million was associated with new stores and the remodeling of thre older stores.

On May 26, 1992, the Company received $106.3 million in net proceeds from the initial public offering. These proceeds, along with borrowings under the revolving credit facility, were used on June 1, 1992, to repay the principal and accrued interest of the Company's outstanding Senior Subordinated Notes and Junior Subordinated Notes.

The Company has a $92 million revolving credit facility. As of May 30, 1992, the Company had used $12.0 million of the line. An additional $14.6 million was borrowed on June 1, 1992, to repay part of the Senior and Junior Subordinated Notes. Management considers its credit facility adequate to meet its planned capital expenditures and debt service requirements. In addition the Company notified Citicorp Retail Services (CRS) that it would no longer require CRS to waive its rights with respect to the financial covenants under the receivables financing agreement with CRS. As a result, the $3.5 million collateral account was released to the Company on June 16, 1992.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

(11) Computation of Per Share Earnings

b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended May 30, 1992

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kohl's Corporation
(Registrant)

Date: July 8, 1992

Jay Baker

Jay Baker
President

Date: July 8, 1992

Jules Allen

Jules Allen
Senior Vice President - Finance
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description of Exhibit
11	Computation of Per Share Earnings

Exhibit 11

KOHL'S CORPORATION
COMPUTATION OF PER SHARE EARNINGS
(In thousands except per share data)

	Quarter Ended 5/25/91	Quarter Ended 5/30/92	9 Mos. Ended 5/25/91	9 Mos. Ended 5/30/92
Weighted Average Unrestricted shares Outstanding	26,041	27,425	26,041	26,502
Weighted Average Net dilutive restricted shares outstanding - based on the treasury stock method	622	486	622	545
Total	26,663	27,911	26,663	27,047
Income (loss) before extraordinary item	$3,284	$(3,444)	$14,122	$11,914
Extraordinary item	0	0	0	1,329
Net income (loss)	$3,284	$(3,444)	$14,122	$13,243
Per share amounts:				
Income (loss) before extraordinary item	$.12	$(.12)	$.53	$.44
Extraordinary item	0	0	0	.05
Net income (Loss)	$.12	$(.12)	$.53	$.49

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

____ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File No. 0-19350

MISSIMER & ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Florida	59-1671036
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

428 Pine Island Road SW Cape Coral, Florida	33991
(Address of principal executive office)	(zip code)

Registrant's telephone number, including area code: (813)574-1919

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

The number of shares outstanding of the registrant's Common Stock, $.01 Par Value, as of July 17, 1992 was 3,180,004.

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MISSIMER & ASSOCIATES, INC.
INDEX TO FORM 10-Q
QUARTER ENDED MAY 31, 1992

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MISSIMER & ASSOCIATES, INC.
CONSOLIDATED BALANCE SHEETS
MAY 31, 1992 AND AUGUST 31, 1991

ASSETS	May 31, 1992 (Unaudited)	August 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,203,207	$ 3,723
Accounts receivable, billed, net of allowance for doubtful accounts of $128,034 and $74,200, respectively	4,196,648	3,064,920
Unbilled accounts receivable	411,784	309,292
Prepaid expenses and other	181,543	115,300
Net assets of discontinued operations	36,744	0
	9,029,926	3,493,235
PROPERTY AND EQUIPMENT, Net	670,025	528,632
NET ASSETS OF DISCONTINUED OPERATIONS	351,878	318,534
DEFERRED TRANSACTION COSTS	0	373,161
OTHER ASSETS	1,188,881	31,142
	$11,240,710	$ 4,744,704

LIABILITIES AND SHAREHOLDERS' EQUITY

	May 31, 1992 (Unaudited)	August 31, 1991
CURRENT LIABILITIES:		
Accounts payable	$ 780,327	$ 1,227,946
Accrued liabilities	312,688	810,143
Current maturities of long-term debt	0	29,401
Current maturities of capitalized lease obligations	41,563	30,337
Notes payable	1,200,373	879,000
Accrued income taxes	17,404	138,804
Net liabilities of discontinued operations	0	134,355
Total current liabilities	2,352,355	3,249,986
LONG-TERM DEBT, net of current maturities	0	33,863
CAPITALIZED LEASE OBLIGATIONS, net of current maturities	88,231	72,919
NOTES PAYABLE TO SHAREHOLDERS	0	66,000
DEFERRED INCOME TAXES	70,856	70,856
SHAREHOLDERS' EQUITY:		
Common Stock, $.01 par value, 50,000,000 shares authorized, 2,680,000 shares and 1,500,000 shares, respectively, issued and outstanding	26,800	15,000
Additional paid-in capital	7,148,900	280,297
Retained earnings	1,553,568	955,783
Total shareholders' equity	8,729,268	1,251,080
	$11,240,710	$ 4,744,704

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

MISSIMER & ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended May 31, 1992 and May 31, 1991
(Unaudited)

	1992	1991
GROSS REVENUES	$3,778,254	$2,965,591
COST OF GROSS REVENUES	2,346,020	1,801,266
Gross Profit	1,432,234	1,164,325
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including rentals to related party of $0 and $30,910, respectively	1,161,484	782,221
Income from operations	270,750	382,104
OTHER INCOME (EXPENSE):		
Interest expense	(15,364)	(19,641)
Interest expense to shareholders	0	(1,650)
Interest income	42,338	0
Other, net	455	(95)
Income before income taxes	298,179	360,718
PROVISION FOR INCOME TAXES	119,600	144,000
Net Income	$ 178,579	$ 216,718
EARNINGS PER SHARE	$ .07	$ .14
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	2,721,927	1,500,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

MISSIMER & ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended May 31, 1992 and May 31, 1991
(Unaudited)

	1992	1991
GROSS REVENUES	$10,750,415	$ 7,666,865
COST OF GROSS REVENUES	6,668,708	4,782,903
Gross Profit	4,081,707	2,883,962
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, including rentals to related party of $30,910 and $92,729, respectively	3,101,975	2,060,385
Income from operations	979,732	823,577
OTHER INCOME (EXPENSE):		
Interest expense	(63,007)	(59,271)
Interest expense to shareholders	(3,371)	(4,950)
Interest income	74,301	780
Other, net	8,730	17,397
Income before income taxes	996,385	777,533
PROVISION FOR INCOME TAXES	398,600	311,000
Net Income	$ 597,785	$ 466,533
EARNINGS PER SHARE	$ .27	$ .31
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	2,211,001	1,500,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

MISSIMER & ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended May 31, 1992 and May 31, 1991
(Unaudited)

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 597,785	$ 466,533
Adjustments to reconcile net income to net cash used in operating activities-		
Depreciation	116,823	73,176
Provision for bad debts	53,834	42,408
Gain on disposition of property and equipment	0	(4,837)
Changes in assets and liabilities:		
Decrease (increase) in-		
Accounts receivable	(1,185,562)	(1,258,918)
Unbilled accounts receivable	(102,492)	(47,968)
Net assets of discontinued operations	(204,443)	(307,202)
Prepaid expenses and other assets	(223,982)	(199,365)
Deferred transaction costs	373,161	0
Increase (decrease) in-		
Accounts payable	(447,619)	602,926
Accrued expenses	(497,455)	144,686
Accrued income taxes	(121,400)	196,380
Total adjustments	(2,239,135)	(758,714)
Net cash used in operating activities	(1,641,350)	(292,181)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(185,312)	(123,918)
Proceeds from sale of property and equipment	0	4,837
Purchase of investment	(1,000,000)	0
Net cash used in investing activities	(1,185,312)	(119,081)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	3,582,630	1,445,000
Repayment of notes payable	(3,261,257)	(1,052,071)
Repayment of long-term debt	(63,264)	(27,829)
Repayment of capitalized lease obligations	(46,366)	0
Repayment of notes payable to shareholders	(66,000)	0
Net proceeds from sale of common stock	6,880,403	0
Net cash provided by financing activities	7,026,146	365,100

(Continued)

MISSIMER & ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended May 31, 1992 and May 31, 1991

(Unaudited)

(Continued)

	1992	1991
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 4,199,484	$ (46,162)
CASH AND CASH EQUIVALENTS, beginning of period	3,723	56,907
CASH AND CASH EQUIVALENTS, end of period	$ 4,203,207	$ 10,745
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 94,350	$ 53,319
Income taxes paid	$ 520,000	$ 114,620
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Financing of property and equipment-Capitalized lease obligations	$ 72,904	$ 161,976

The accompanying notes to consolidated financial statements are an integral part of these statements.

MISSIMER & ASSOCIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1992
(UNAUDITED)

(1) Basis Of Presentation

The consolidated balance sheet as of August 31, 1991, which has been derived from audited statements, and the unaudited interim consolidated financial statements included herein, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading.. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Registration Statement (No. 33-44000) on Form S-1 filed by the Company under the Securities Act of 1933, supplemented by the Prospectus dated December 20, 1991.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of May 31, 1992 and August 31, 1991, the results of operations for the three-month and nine-month periods ended May 31, 1992 and 1991, and cash flows for the nine-month periods ended May 31, 1992 and 1991.

The accounting policies followed for quarterly financial reporting purposes are the same as those disclosed in the Company's audited financial statements for the year ended August 31, 1991 included in the Prospectus.

(2) Public Offering

On December 30, 1991, the Company closed its initial public offering of 1,200,000 shares of common stock at $7.00 per share, 1,000,000 shares of which were offered by the Company, and 200,000 shares of which were offered by the current shareholders. The Company received net proceeds of $5,732,003 from the sale of these 1,000,000 shares of common stock.

On January 15, 1992, the Company sold an additional 180,000 shares of common stock at $7.00 per share, to cover an over-allotment option, and received net proceeds of $1,148,400.

The Company utilized the net proceeds of this offering to repay substantially all of its indebtedness, including indebtedness and accrued interest to shareholders of $66,000 and $24,776 (as of December 30, 1991), respectively.

In connection with the public offering, the Company sold, for nominal consideration, warrants to its underwriters to purchase 120,000 shares of common stock, exercisable beginning in December 1992, at exercise prices that increase annually and range between $8.40 and $14.00, expiring in December 1996.

The Company previously granted a total of 145,250 incentive stock options (of which 131,250 were outstanding on May 31, 1992) to certain employees, which are partially exercisable beginning in December 1992, at the public offering price of $7.00 per share. These stock options expire ten years from the date of grant and are exercisable at the rate of 20% per year. The Company granted a total of 49,000 incentive stock options on June 15, 1992, at the exercise price of $9.00 per share.

The Company has issued a warrant to its public relations firm as compensation for future services. The warrant expires on December 27, 1996 and grants the right to purchase 25,000 shares of common stock at $7.00 per share and 25,000 shares at $8.00 per share.

(3) Earnings Per Share

Earnings per share is calculated by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the periods. Common share equivalents are calculated using the "treasury stock method" and include the number of shares issuable on exercise of outstanding options and warrants less the number of shares that could have been purchased with the proceeds from the exercise of the options and warrants, based on the average price of the Company's common stock during the periods. Primary and fully diluted earnings per share are not materially different.

(4) Acquisition of ETE, Inc.

On June 30, 1992, the Company acquired ETE, Inc. ("ETE"), a South Carolina corporation, by merger of ETE with and into a wholly owned subsidiary of the Company, which, upon effectiveness of the merger, changed its name to ETE, Inc. Consideration paid to the former shareholders of ETE consisted of 500,004 shares of unregistered common stock of the Company and $4,800,000 in cash. The Company will account for the acquisition of ETE under the purchase method of accounting.

In connection with the acquisition, the Company entered into three-year employment agreements with two former major shareholders of ETE for minimum base salaries of $120,000 and $140,000 per annum.

Had the acquisition of ETE occurred on March 1, 1992, the proforma results of operations for the quarter ended May 31, 1992, would have been as follows:

	(Unaudited)
Gross revenues	$ 6,109,427
Net income	$ 284,953
Earnings per share	$ .09

(5) Other Assets

Included in Other Assets as of May 31, 1992 is a one-year certificate of deposit for $1,000,000, which collateralizes an irrevocable letter of credit issued by the Company in favor of a bank. The Company was required to issue this letter of credit in lieu of renewing certain professional liability insurance policies. This letter of credit can be drawn upon by the Company to pay claims and/or costs associated with professional liability that would have been covered by previously existing insurance policies. To the best of the Company's knowledge, there are no outstanding professional liability claims against this certificate of deposit.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Comparison of three months ended May 31, 1992 and three months ended May 31, 1991.

Revenues increased 27% to $3,778,254 for the three months ended May 31, 1992 compared to $2,965,591 for the three months ended May 31, 1991, primarily as a result of developing market share, the new locations opened prior to May 31, 1991 and the new locations opened after May 31, 1991.

Cost of revenues as a percentage of revenues was 62% for the three months ended May 31, 1992 compared to 61% for the three months ended May 31, 1991. Selling, general and administrative expenses as a percentage of revenues increased to approximately 31% for the three months ended May 31, 1992 compared to approximately 26% for the three months ended May 31, 1991, primarily due to the increase in revenues and the resultant increases in workers' compensation insurance, salary and salary related costs, accounting and legal expenses and other various overhead expenses.

Interest expense for the three months ended May 31, 1992 was $15,364 compared to $21,291 for the three months ended May 31, 1991. The increase in interest income from $0 for the three months ended May 31, 1991 to $42,338 for the three months ended May 31, 1992 is due to the proceeds of the initial public offering being invested in interest-bearing short-term investments.

Net income for the three months ended May 31, 1992 decreased by 18% to $178,579 compared to the three months ended May 31, 1991. The decrease is primarily attributable to certain projects started during the third quarter of 1992 which were delayed by a regulatory review procedures backlog. Earnings per share decreased to $.07 based on a weighted average of 2,721,927 shares for the three months ended May 31, 1992 from $.14 for the three months ended May 31, 1991 based on a weighted average of 1,500,000 shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Comparison of nine months ended May 31, 1992 and nine months ended May 31, 1991.

Revenues increased 40% to $10,750,415 for the nine months ended May 31, 1992 compared to $7,666,865 for the nine months ended May 31, 1991, primarily as a result of developing market share, the new locations opened prior to May 31, 1991 and the new locations opened after May 31, 1991.

Cost of revenues as a percentage of revenues was 62% for the nine months ended May 31, 1992 compared to 62% for the nine months ended May 31, 1991. Selling, general and administrative expenses as a percentage of revenues increased to approximately 29% for the nine months ended May 31, 1992 compared to approximately 27% for the nine months ended May 31, 1991, primarily due to the increase in revenues and the resultant increases in workers' compensation insurance, salary and salary related costs, accounting and legal expenses and other various overhead expenses.

Interest expense for the nine months ended May 31, 1992 was $66,378 compared to $64,221 for the nine months ended May 31, 1991. The increase in interest income from $780 for the nine months ended May 31, 1991 to $74,301 for the nine months ended May 31, 1992 is due to the proceeds of the initial public offering being invested in interest-bearing short-term investments.

Net income for the nine months ended May 31, 1992 increased by 28% to $597,785 compared to the nine months ended May 31, 1991. The increase is primarily attributable to growth of revenues and the Company's ability to maintain relatively constant operating margins. Earnings per share decreased to $.27 based on a weighted average of 2,211,001 shares for the nine months ended May 31, 1992 from $.31 for the nine months ended May 31, 1991 based on a weighted average of 1,500,000 shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources as of May 31, 1992

The Company's operating activities used net cash of $1,641,350 during the nine months ended May 31, 1992, attributable to increases in billed and unbilled accounts receivable as a result of revenue growth, an increase in net assets of discontinued operations, due to the repayment of long-term debt of approximately $212,000 which was included therein, and decreases in accounts payable and accrued liabilities, several of which were associated with the Company's successful initial public offering, a portion of the proceeds from which were utilized therefore and for repayment of the long-term debt associated with the discontinued operations.

During the nine months ended May 31, 1992, the Company's investing activities used net cash of $1,185,212, attributable to purchases of property and equipment and the $1,000,000 investment described in Note 5 of Notes to Consolidated Financial Statements. Additional property and equipment recorded under capital leases during the period totalled $72,904.

Cash requirements for the nine months ended May 31, 1992, until the successful completion of the Company's initial public offering in December, 1991, were primarily provided by financing activities, including the net proceeds from advances and repayments under the Company's $2,000,000 line of credit. In November, 1991, the Company obtained a $2,000,000 line of credit from a bank, approximately $1,000,000 of the proceeds from which were used to repay indebtedness to a bank under the Company's previous line of credit. Post Initial Public Offering use of the line of credit is short-term funding of the day to day fluctuations in cash flow.

Working capital as of May 31, 1992, increased by $6,434,322 as compared to working capital as of August 31, 1991. This increase was attributable to the net proceeds received in December 1991 and January 1992 from the Company's initial public offering and net income for the period.

Accounts payable as of May 31, 1992, were $780,327, 37% below the amount of accounts payable at August 31, 1991. The decrease in accounts payable resulted from the partial use of proceeds from the initial public offering to satisfy the debts related to the initial public offering as well as other current payables. The Company estimates that the collection period from date of invoice to date of payment for its receivables was approximately 94 days (based on management's review of financial statements of industry-related companies, the collection period is below the industry average) for the nine months ended May 31, 1992 (versus approximately 106 days for the year ended August 31, 1991). Accounts receivable as of May 31, 1992, were $4,324,682, 38% above the amount of accounts receivable as of August 31, 1991. The principal reasons for the increase in accounts receivable are the increase in the Company's business. As a result of the decrease in the Company's accounts payable, the Company required a decreased amount of working capital.

Through December 30, 1991, cash requirements were funded through the collection of the Company's accounts receivable, trade credit from suppliers and vendors and the amount available under the Company's line of credit. The Company believes that the net proceeds received in December 1991 and January 1992 from its successful initial public offering will fund cash requirements for the foreseeable future.

As described in Note 4 of Notes to Consolidated Financial Statements, the Company acquired ETE on June 30, 1992 for $4,800,000 in cash and 500,004 shares of common stock. Approximately $500,000 of the cash portion of the acquisition price was financed through the Company's line of credit and the remainder was paid with cash on hand. Management anticipates future capital requirements to be satisfied from cash generated from operations and by additional drawing capabilities under the existing $2,000,000 line of credit.

Inflation has not significantly affected the Company's financial position or operations. Advances under the Company's new line of credit bear interest at the prime rate of interest of the lending bank (currently 6.5% per annum) plus 1% per annum. No assurance can be given that inflation or the prime rate will not fluctuate significantly, either of which could adversely affect the Company's operations.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

1. Form 8-K, dated June 30, 1992, was filled on July 13, 1992. The Form 8-K reported the acquistion by Registrant of ETE, Inc. Financial statements were not included and are to be filed under cover of Form 8 not later than 60 days after July 15, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MISSIMER & ASSOCIATES, INC.

Date: July 16, 1992 By: __________________________

Robert Fletcher, President, Chief Executive Officer, Chairman of Board and Director (Principal Executive Officer)

Date: July 16, 1992 By: __________________________

Richard Holzinger, Executive Vice-President, Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period ended March 31, 1992 or

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________ to ____________.

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NeoRx Corporation
(Exact Name of Registrant as Specified in its Charter)

WASHINGTON
(State or other jurisdiction of incorporation or organization)

91-1261311
(IRS Employer Identification No.)

410 West Harrison Street, Seattle, Washington 98119
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (206) 281-7001

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of May 1, 1992 there were outstanding 28.3 million shares of the Company's Common Stock, $.02 par value.

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NEORX CORPORATION
(a development stage company)

BALANCE SHEETS
(in thousands)

	March 31, 1992 (unaudited)	September 30, 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$11,537	$ 1,616
Short-term investments, at cost which approximates market	1,000	7,588
Note receivable, collected in December 1991	-	9,000
Interest receivable and other receivables	185	115
Inventories	590	658
Prepaids and other	185	344
Total current assets	13,497	19,321
FACILITIES AND EQUIPMENT, at cost:		
Equipment and furniture	3,542	4,651
Leasehold improvements	3,119	3,119
	6,661	7,770
Less: accumulated depreciation and amortization	(5,460)	(6,463)
Facilities and equipment, net	1,201	1,307
OTHER ASSETS	109	459
	$14,807	$21,087
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 959	$ 735
Accrued liabilities	1,007	1,379
Deferred revenue	1,043	289
Current portion of capital leases	246	423
Total current liabilities	3,255	2,826
NON-CURRENT LIABILITIES:		
Convertible subordinated debentures, 9¾%	1,220	8,213
Deferred revenue, less current portion	-	951
Capital leases, less current portion	42	134
Total non-current liabilities	1,262	9,298
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Convertible exchangeable preferred stock, Series 1, $.02 par value, 3,000,000 shares authorized, 510,000 and 580,000 shares issued and outstanding, respectively	10	12
Common stock, $.02 par value, 60,000,000 shares authorized, 28,309,000 and 26,092,000 shares issued and outstanding, respectively	566	522
Additional paid-in capital	88,677	80,202
Deferred compensation	(148)	(362)
Accumulated deficit since inception	(78,815)	(71,411)
Total shareholders' equity	10,290	8,963
	$14,807	$21,087

See notes to financial statements.

NEORX CORPORATION
(a development stage company)

STATEMENTS OF OPERATIONS
(in thousands except per share amounts)
(unaudited)

	Three months ended March 31,		Six months ended March 31,		February 13, 1984 (Inception) to March 31,
	1992	1991	1992	1991	1992
REVENUES:					
Revenues from collaborative agreements	$ 104	$ 87	$ 223	$ 246	$ 22,855
OPERATING EXPENSES:					
Research and development	1,665	1,845	3,148	4,064	64,001
Selling, general and administrative	1,322	1,024	2,504	2,211	34,082
Restructuring costs	-	-	-	640	2,050
Total operating expenses	2,987	2,869	5,652	6,915	100,133
Loss from operations	(2,883)	(2,782)	(5,429)	(6,669)	(77,278)
Other income (expense):					
Debt conversion expense	-	-	(1,228)	-	(1,228)
Interest income	204	287	330	687	8,350
Interest expense	(42)	(256)	(82)	(487)	(5,008)
Net loss	(2,721)	(2,751)	(6,409)	(6,469)	(75,164)
Dividends on preferred stock	343	405	694	878	3,152
Net loss applicable to common shares	$(3,064)	$(3,156)	$(7,103)	$ (7,347)	$(78,316)
Net loss per common share	$ (.11)	$ (.21)	$ (.30)	$ (.49)	$ (6.62)
Weighted average common shares outstanding	27,996	14,906	23,829	14,873	11,831

See notes to financial statements.

NEORX CORPORATION
(a development stage company)

STATEMENTS OF CASH FLOWS
(in thousands)(unaudited)

	Three months ended March 31,		Six months ended March 31,		February 13, 1984 (Inception) t March 31,
	1992	1991	1992	1991	1992
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Loss	$(2,721)	$(2,751)	$(6,409)	$(6,469)	$(75,164)
Adjustments to reconcile net loss to net cash (used in) operating activities:					
Depreciation and amortization	195	424	429	853	7,906
(Increase) decrease in receivables	(73)	402	(70)	525	(185)
(Increase) decrease in inventories	26	56	68	(165)	(590)
(Increase) decrease in prepaids	(22)	261	159	294	(185)
Increase (decrease) in accounts payable and accrued liabilities	510	(336)	(148)	(393)	1,966
Increase (decrease) in deferred revenue	(105)	(100)	(197)	(200)	1,043
Amortization of deferred compensation	95	-	214	-	302
Debt conversion expense	-	-	1,228	-	1,228
Total adjustments	626	707	1,683	914	11,485
Net cash (used in) operating activities	(2,095)	(2,044)	(4,726)	(5,555)	(63,679)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from (purchase of) short-term investments	3,168	2,966	6,588	5,819	(1,000)
Property and equipment purchases	(312)	-	(323)	(218)	(9,110)
(Increase) decrease in other assets	8	50	9	128	(18)
Net cash provided by (used in) investing activities	2,864	3,016	6,274	5,729	(10,128)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from sale of common stock	44	-	9,253	-	61,576
Proceeds from sale of convertible debentures	-	-	-	-	26,606
Proceeds from (repayment of) capital lease obligations	(96)	(168)	(268)	(172)	289
Proceeds from stock options exercised	22	29	35	34	741
Issuance of stock purchase warrants	-	-	-	-	200
Preferred stock issuance costs	-	-	-	-	(792)
Preferred stock dividends	(296)	(405)	(647)	(878)	(2,971)
Repurchase of preferred stock	-	(187)	-	(305)	(305)
Net cash provided by (used in) financing activities	(326)	(731)	8,373	(1,321)	85,344
Net increase (decrease) in cash and cash equivalents	443	241	9,921	(1,147)	11,537
Cash and cash equivalents:					
Beginning of period	11,094	402	1,616	1,790	-
End of period	$11,537	$ 643	$11,537	$ 643	$ 11,537

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

The interim financial statements contained herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's Annual Report to Shareholders for the year ended September 30, 1991.

In the opinion of management, the interim financial statements reflect all adjustments, consisting only of normal recurring accruals (and nonrecurring charges of $1.2 million in fiscal 1992 for debt conversion and $.6 million in fiscal 1991 for restructuring) necessary to present fairly the Company's financial position as of March 31, 1992 and the results of operations and cash flows for the three month and six month periods ended March 31, 1992 and 1991 and for the period from inception to March 31, 1992.

The results of operations for the six month period ended March 31, 1992 is not necessarily indicative of the operating results for the full year.

2. Exchange of 9-3/4% Convertible Subordinated Debentures for Common Stock

During the quarter ended December 31, 1991, the Company completed private transactions with holders of $6,993,000 principal amount of 9-3/4% Convertible Subordinated Debentures ("debentures"), under which the holders exchanged their debentures for 1,748,000 shares of the Company's common stock. The exchange transactions were recorded in accordance with Statement of Financial Accounting Standards No. 84, "Induced Conversions of Convertible Debt", resulting in a non-cash charge of $1,228,000 in the quarter ending December 31, 1991.

NEORX CORPORATION
(a development stage company)

NOTES TO FINANCIAL STATEMENTS - continued

3. Shareholders' Equity

Changes in shareholders' equity from September 30, 1991 to March 31, 1992 were as follows:

Balance, September 30, 1991	$ 8,963,000
Common stock issued	90,000
Preferred stock dividends	(694,000)
Net loss	(6,409,000)
Debenture exchange	8,079,000
Preferred stock conversion	47,000
Amortization of deferred compensation	214,000
Balance, March 31, 1992	$10,290,000

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources

Quarter and six months ended March 31, 1992 compared to quarter and six months ended March 31, 1991.

Revenues for the three months ended March 31, 1992 of $104,000 increased 20% from $87,000 in the comparable period of fiscal 1991. Revenues for the six months ended March 31, 1992 of $223,000 decreased 9% from $246,000 for the six months ended March 31, 1991. Revenues in both periods were earned under collaborative research agreements.

Total operating expenses for the quarter ended March 31, 1992 increased 4% to $2,987,000 from $2,869,000 recorded in the prior year's second quarter. Operating expenses of $5,652,000 for the six months ended March 31, 1992 decreased 18% from $6,915,000 in the comparable period in 1991, resulting from cost control measures implemented in January 1991 and because a nonrecurring restructuring charge of $640,000 was recorded in fiscal 1991. Excluding the restructuring charge, operating expenses for the six months ended March 31, 1992 decreased by 10% from the comparable prior year period.

During the three months ended December 31, 1991, the Company completed private transactions with holders of $6,993,000 principal amount of its 9-3/4% Convertible Subordinated Debentures ("debentures"), under which the holders exchanged their debentures for 1,748,000 shares of the Company's Common Stock. The exchange transactions were recorded in accordance with Statement of Financial Accounting Standards No. 84, "Induced Conversions of Convertible Debt" resulting in a non-cash charge of $1,228,000.

Interest income decreased 29% to $204,000 from $287,000 in the three months ended March 31, 1992 and 1991, respectively, and decreased 52% from $687,000 for the six months ended March 31, 1991 to $330,000 for the six months ended March 31, 1992, reflecting a decrease in market interest rates and a decrease in the average amount of funds invested, primarily due to the Company's use of cash to fund its operating losses.

Interest expense of $42,000 in the three months ended March 31, 1992 decreased 84% from $256,000 in the comparable period in fiscal 1991, and, for the six months ended March 31, 1992, decreased 83% to $82,000 from $487,000 in the comparable fiscal 1991 period, primarily resulting from the reduction in debentures outstanding to $1,220,000 from $8,213,000 at March 31, 1992 and 1991, respectively.

In January 1992, the Company agreed to purchase, for approximately $320,000, assets held under a capital lease. Payments for the assets will be made prior to the end of fiscal 1992.

Item 2. - continued

During 1991, the Company's supplier of its NR-LU-10 antibody, which is used in its lung cancer imaging products and in its ovarian and small cell lung cancer rhenium therapy products, sold its monoclonal antibody production facility to a pharmaceutical company which is unwilling to produce the antibody for sale to NeoRx. NeoRx is conducting negotiations with pharmaceutical companies regarding the licensing of worldwide manufacturing and marketing rights to its imaging products. At least one of these companies has existing antibody manufacturing capacity. NeoRx has learned in writing from the FDA that only a small patient study to qualify a new manufacturer will be required. Thus, the approval schedule depends upon the timing of arranging for an alternative supplier at a reasonable cost. If the Company or a potential licensee is unable to make alternate antibody supply arrangements, the Company may cease development of its imaging product line.

The Company expects that its available cash and interest income will be sufficient to finance its working capital and capital requirements for at least one year. The Company will require a substantial amount of additional funds to complete the development of most of its products and to fund additional operating losses that the Company expects to incur for the next several years.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In May 1991, the Company filed a lawsuit against Immunomedics, Inc. ("Immunomedics") in Federal District Court for the Western District of Washington alleging that Immunomedics' colon cancer imaging product and rhenium-based cancer therapy products infringe a NeoRx patent covering the Company's proprietary technology for directly labeling monoclonal antibodies with radionuclides, including technetium and rhenium. The suit also alleges Immunomedics breached a 1988 agreement with NeoRx which grants NeoRx a license and rights to acquire additional licenses under certain Immunomedics' patents which Immunomedics alleges cover NeoRx's lung cancer imaging products.

On April 4, 1992, the court in Seattle entered its final order with respect to jurisdictional issues. The case will be transferred to Federal Court in New Jersey.

NeoRx seeks monetary damages in an amount to be proven at trial, including treble damages for the patent infringement claim, certain declarations regarding the patent and Immunomedics' products in the United States and the award of attorney's fees, costs and expenses in the action.

Item 4. Submission of Matters to a Vote of Security Holders

a) An annual meeting of shareholders was held on February 20, 1992.

b) The following matters were submitted to a vote of holders of Common Stock at the annual meeting:

1. A Non-employee Director Stock Option Plan was approved by a vote of 15,294,349 shares in the affirmative; 708,415 shares were voted in the negative; 5,309,793 abstained;
2. Certain Director stock option grants were approved by a vote of 15,064,924 shares in the affirmative; 730,153 shares were voted in the negative; 5,324,343 abstained;
3. A 1991 Restricted Stock Plan was approved by a vote of 15,328,316 shares in the affirmative; 657,535 shares were voted in the negative; 5,320,706 abstained;
4. Certain restricted stock awards were approved by a vote of 15,021,783 shares in the affirmative; 654,028 shares were voted in the negative; 5,332,096 abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - None

NEORX CORPORATION
(a development stage company)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NeoRx Corporation
(Registrant)

Date: May 13, 1992

By: Rbt M. Littauer
Robert M. Littauer
Authorized Officer and
Vice President,
Chief Financial Officer and
Treasurer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D. C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992

Commission File Number 0-15953

NETCOR, INC.
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

77-0114805
I.R.S. Employer Identification Number

850 Auburn Court Fremont, CA.
(Address of principal executive offices)

94538
(Zip Code)

(510) 623-3700
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate number of shares outstanding of each of the issuer's classes of common stock, at the latest practical date:

COMMON STOCK OUTSTANDING AS OF March 31, 1992

Common Stock, No Par Value. 14,027,570

This Report on 10-Q, including all attachments, contains 10 pages.

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NETCOR, INC.

FORM 10-Q

QUARTERLY REPORT

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PART I

NETCOR, INC.

Balance Sheets

ASSETS	March 31, 1992	June 30, 1991(1)
Current assets:		
Cash	$ 134,513	$ 75,421
Accounts receivable	505,211	445,043
Inventories	617,813	385,811
Other current assets	14,760	16,338
Total current assets	1,272,297	922,613
Property and equipment, net	120,011	111,293
Other assets	65,099	103,360
Goodwill (2)	360,796	354,159
	$ 1,818,203	$ 1,491,425
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (3)	$ 1,259,275	$ 1,036,230
Accrued liabilities	110,374	156,667
Bank debt	46,000	130,000
Debenture Payable (4)	226,699	205,426
Other debt	17,716	56,948
Total current liabilities	1,660,064	1,585,271
Secured Debentures Payable(5)	362,500	-
Long-term debt	14,133	114,269
Stockholders' equity:		
Preferred Stock: 750,000 of no par value authorized (6)	701,610	-
Common stock: 17,500,000 shares authorized; 6,142,760 outstanding on 6/30/91; 13,642,760 shares outstanding on 9/30/91. (7)	3,732,935	3,093,731
Accumulated Deficit	(4,027,039)	(3,216,096)
Shareholder notes receivable	(626,000)	(85,750)
Total stockholders' equity	(218,494)	(85,750)
	$ 1,818,203	$ 1,491,425

See accompanying notes to unaudited financial statements.

NETCOR, INC.

Statements of Operations

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991
Revenue	$ 669,328	$ 815,151	$ 2,185,901	$ 2,521,664
Cost of goods sold	553,503	532,361	1,638,216	1,604,582
Gross Profit	115,825	282,790	547,685	917,082
Operating expenses:				
Research and development	169,958	91,100	567,292	274,700
Marketing, general and administrative	271,160	194,654	775,905	592,185
Operating profit (loss)	(325,293)	(2,964)	(795,512)	50,197
Interest and other income (expense)	(7,626)	6,651	(15,431)	(51,391)
Income tax expense	0	0	0	300
Profit (loss)	$ (332,919)	$ 3,687	$ (810,943)	(1,494)
Net profit (loss) per common and common equivalent share	$ (0.02)	$ 0.01	$ (0.04)	$ 0.00
Weighted average common and common equivalent shares outstanding	15,062,380	5,199,853	15,062,380	5,199,853

See accompanying notes to unaudited financial statements.

NETCOR, INC.
Statements of Cash Flow

	Nine Months Ended March 31, 1991	Nine Months Ended March 31, 1992
Cash flows from operating activities:		
Net profit (loss)	$ (1,495)	$ (810,943)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Minority interest earnings	(8,152)	-
Depreciation & amortization	50,171	61,859
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(86,370)	(60,168)
(Increase) in inventories	(64,651)	(232,002)
(Increase) in prepaid expenses	(13,140)	1,578
(Increase) in goodwill & other assets	30,049	31,624
Increase in accounts payable	178,256	223,045
Increase in accrued liabilities	12,754	(46,293)
Net cash used in operating activities:	97,423	(831,300)
Cash flows from investing activities:		
Purchase of equipment and fixtures	70,451	(69,884)
Cash flows from financing activities:		
Proceeds from Sale of Stock	-	701,610
Proceeds from long-term debt	-	362,450
Principal payments on borrowings	(79,601)	(103,784)
Net cash used in financing activities	(78,600)	960,276
Net increase (decrease) in cash and certificates of deposit	(51,628)	59,092
Cash at beginning of period	69,141	75,421
Cash at end of period	17,513	134,513

See accompanying notes to unaudited financial statements.

Supplemental schedule of non-cash investing activities:

None

NETCOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1991 and 1990

(1) **Interim Financial Information.** Interim financial information is unaudited, but, in the opinion of management, such information contains all adjustments, consisting of normal recurring accruals, necessary for a fair statement of results for the interim periods presented. However, the results for the interim periods are not necessarily indicative of the results to be expected for the entire year. Amounts shown in the June 30, 1991 column of the Balance Sheet are identical to the values shown in the Company's audited financial statements for the indicated items. These financial statements should be read in conjunction with the Corporation's audited June 30, 1991 financial statements and accompanying notes thereto.

(2) **Goodwill**. Goodwill associated with the acquisition of Giltronix, Inc. and the purchase of the ANC Assets. Amortization rate is based on fifteen and ten years respectively.

(3) **Accounts Payable** Includes approximately $100,000 past due to Stanley Finberg under the terms of the ANC Asset Purchase Agreement; $35,000 past due to the company's independent auditor, Grant Thornton; $24,000 past due to corporate counsel, George Grellas & Asso.; and the balance to various suppliers of materials for manufacturing and other services, of which more than $550,000 is past due.

(4) **Debenture Payable**. Includes $69,000 for Debentures issued in January 1990 with due dates of January 1994. These Debentures are now due as a result of an acceleration caused by failure to pay interest amounts of $6,900 due in January 1991 and $6,900 due in January 1992. Also includes the interest amount due. Also includes approximately $28,000 past due to holders of the Giltronix Debentures who did not respond to the Company's offer to convert the Debentures into Common Stock in December 1990. Also includes $98,500 of Debentures payable to the former Giltronix shareholders which automatically convert into Common Stock in December 1992 under the terms of an amendment to the Debenture which was approved by the Holders in June 1991. On February 13, 1992, the Board of Directors approved a resolution calling for the early conversion of these Debentures into Common Stock and in April 1992 the Company issued 934,810 shares of its Common Stock in exchange for the Debentures.

(5) **Secured Debenture payable** During the three month period ending March 31, 1992 the Company issued its Series A Secured Convertible Debentures in exchange for $412,500 in cash to certain private investors. The Series A Debentures are convertible into the Series A Preferred Stock of the Company at an exchange rate of $10.00 per share and earn interest at an annual rate of 14%. The interest is to be accrued monthly and is also convertible into the Series A Preferred shares at a rate of $10.00 per share. The Debentures are due on February 15, 1995 unless

earlier converted.

(6) **Preferred Stock** Represents the net amount raised in the issuance of Series A Preferred Shares in the financing dated July 5, 1991 and December 9, 1991. See "Changes in Securities".

(7) **Common Stock** Reflects the issuance of 7,500,000 shares to George W. Gray as part of the financing arrangement completed by the Company on July 5, 1991 the details of which are provided in the Form 10K filed by Registrant on October 11, 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

In the quarter ended March 31, 1992, Netcor, Inc. had sales of $669,328 compared to $815,151 in the quarter ending March 31, 1991. For the nine month period, sales in the current year were $2,185,901 compared to $2,521,664 in the prior year. The lower sales were attributed to lower order rates from the Company's sales channels which were further attributed to delays in completion of certain new products by the Company and to a lessening of demand for the existing products of the Company. Neither inflation nor changing prices had a serious impact on the Company's net sales or income.

The Company reported a net loss in the quarter ending March 31, 1992 of $332,919 or $0.02 per share compared to a net profit of $3,687 or $0.01 per share in the March 31, 1991 period. For the nine month period the current year loss was $810,943, or $0.05 per share, compared to a loss of $1,494, or zero per share, in the prior year nine month period. The increased loss is attributed to increased spending related to the efforts of management to increase engineering and sales resources in order to improve the competitive posture of the Company's products and to the lower revenues.

Interest expenses were not a material item in the financial periods covered by this report.

Research and development expenses were $169,958 for the quarter ending March 31, 1992 compared to R&D expenses of $91,100 in the quarter ending March 31, 1991. For the nine month period, R & D spending was $567,292 in the current year compared to $274,700 in the prior year. The spending increase in R & D reflected the Company's plan to invest in new product development in an effort to improve its market position.

Marketing, general and administrative expenses were

$271,160 in the three month period ending March 31, 1992 compared to $194,654 in the three month period ending March 31, 1991. For the nine month period, marketing and G&A spending was $775,905 in the current year compared to $592,185 in the prior year nine month period. The increased marketing and G&A spending reflected the Company's plan to invest in market development in an effort to improve its market position.

The spending increases in engineering, marketing and G&A contributed $154,364 to the $332,919 net loss for the three month period ending March 31, 1992 and $476,312 to the $810,943 net loss realized in the nine month period ending March 31, 1992.

The Company is continuing to expand its network connection product line and intends to be a factor in this market. This program will require continued spending in R & D and marketing.

Liquidity.

Since inception, the Company has financed its operations through the sale of its Common Stock in private stock sales, in its initial public offering, and in exchange for services; in the sale of its Series A Preferred Stock in private stock sales; and through the issuance of its Series A Debentures in private transactions.

At March 31, 1992 the Company's current ratio was 0.76 to 1.0 as compared to 0.81 to 1.0 on March 31, 1991. Working capital decreased from negative $259,442 on March 31, 1991 to negative $387,767 on March 31, 1992. Cash on March 31, 1992 was $134,513 compared to $17,513 on March 31, 1991. As a result of the losses encountered in the nine months ended March 31, 1992, Netcor continues to be seriously delinquent in its payments to trade and other creditors., (See Note under Notes to Financial Statements). For reasons more fully described in Netcor's Form 10K filing dated October 11, 1991, liquidity constraints on the Company caused its independent auditor's to issue a qualified opinion concerning the ability of the Company to continue as a going concern.

In an effort to deal with continuing liquidity problems, the Board of Directors authorized management to pursue the sale of up to $1,250,000 of equity in a private placement. As of April 10, 1992, management concluded this funding effort having raised a total of $1,175,000 of new capital through the sale of 76,250 Series A Convertible Preferred shares at a price of $10.00 per share and the issuance of Series A Secured Convertible 14% Debentures at a price of $412,500. The net amount realized from the $1,175,000 after deduction of financing expenses was $1,114,110. While it was expected that this additional capital would be sufficient to allow the Company to improve its liquidity position to an acceptable level, continuing losses in the period ending March 31, 1992 have caused the Company to need additional capital. Therefore, the Board of Directors has authorized management to extend its financing efforts to raise additional capital through further private placement activities. Management is continuing to pursue all available sources of such funding.

Capital Resources.

On March 9, 1990, registrant signed a sub-lease on 15,775 square feet of office and R & D space located at 850 Auburn Street, Fremont, California 94538. The sub-lease period runs until June 14, 1993 and registrants total payments under the sub-lease will be $345,002.

The amount of the Company's other commitments for capital expenditures as of December 31, 1990 is not material.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

During the nine month period ending March 31, 1992, Netcor issued 7,500,000 shares of its Common Stock in exchange for payment in the form of a non recourse note in the amount of $626,000. The issuance was made as part of the sale of 55,000 shares of its Series A Preferred Stock in exchange for cash in the amount of $550,000. See Form 10K filing dated October 11, 1991 for complete details of this transaction. Furthermore, on July 9, 1991, the Company repurchased 450,000 shares of its Common Stock previously issued to former employees under the terms of the Company's Employee Restricted Stock Purchase Plan. In addition, the Company issued 934,810 shares of its Common Stock on December 21, 1991 and will issue an additional 934,810 shares of its Common Stock on April 29, 1992 in exchange for the cancellation of certain Debentures issued in conjunction with the acquisition of 85% of the shares of Giltronix, Inc. in December 1989.

Between July 9, 1991 and December 31, 1991 the Company issued 76,250 of its Series A Convertible Preferred stock at a price of $10.00 per share.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

On October 14, 1991, in a special shareholder meeting, the Company received approval from a majority of its shareholders to amend its articles of incorporation to reflect an increase in the number of authorized shares of its Common Stock from 17,500,000 shares to 60,000,000 shares. In addition, at the same meeting, the Company received approval of a majority of its shareholders to amend the Employee Stock Option Plan to increase the number of shares reserved for issuance under the plan from 750,000 to 1,500,000.

Item 5. Other Information.

On September 27, 1991, the Company entered into an Agreement with its Vice President, Research & Development, whereby his full time employment with the Company would be terminated and further providing for the establishment of a consulting arrangement between the individual and the Company. The consulting agreement was terminated by mutual consent of the parties on February 29, 1992.

Item 6. Exhibits and Reports on Form 8-K

A) Exhibits:

None.

B) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NETCOR, INC.
(REGISTRANT)

By: George W. Gray
George W. Gray, CEO

Date: May 14, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MAR 4 1992

FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended December 31, 1991

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from .... to ....

PROCESSED BY

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Commission File Number 33-13143

OREXANA CORPORATION

(Exact Name of Registrant as Specif

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Q-Data Corp. - St. Petersburg, FL

Florida

(State or Other Jurisdiction
of Incorporation or Organization)

59-2682574

(I.R.S. Employer
Identification Number)

16402 N.W. 54 Avenue, Hialeah, Florida 33014

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (305) 624-8882

....

(Former name, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No ......

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date:

8,359,422 shares of Common Stock, $.0005 par value, as of February 15, 1992.

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OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1991 (Unaudited)	March 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents, including interest-bearing accounts of $619,586 at December 31 1991 and $458 at March 31, 1991	$ 622,368	$ 28,437
Accounts receivable	-	78,742
Tax loss carryback	80,617	960,292
Total current assets	702,985	1,067,471
	$ 702,985	$1,067,471

(Continued)

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1991	March 31, 1991
	(Unaudited)	
CURRENT LIABILITIES:		
Accounts payable and other liabilities	$ 136,650	$ 197,712
Current portion of note payable to Carom Capital Corporation	15,000	15,000
Total current liabilities	151,650	212,712
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.0005 par value; authorized 15,000,000 shares; issued and outstanding 8,197,222 shares at December 31 1991 and 6,897,222 shares at March 31, 1991	4,099	3,449
Paid-in capital	3,514,709	3,424,359
Accumulated deficit	(2,967,473)	(2,573,049)
Total stockholders' equity	551,335	854,759
	$ 702,985	$1,067,471

See accompanying notes to consolidated financial statements.

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 1991 AND 1990

(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	1991	1990	1991	1990
Sales of precious metals	$ -	$ 40,514,437	$ 11,983	$ 78,928,868
Cost of precious metals sold	-	39,593,386	6,093	76,726,702
Gross margin	-	921,051	5,890	2,202,166
General and administrative expenses	126,849	346,270	398,318	1,159,064
Income (loss) from operations	(126,849)	574,781	(392,428)	1,043,102
Other income (expenses):				
Interest income	746	33,067	2,475	108,871
Interest expense	1,457	(8,192)	(1,985)	(30,198)
Other, net	-	14,011	-	32,011
Income (loss) before income taxes	(124,646)	613,667	(391,938)	1,153,786
Provision for income taxes	2,058	239,011	2,486	474,011
Net income (loss)	$ (126,704)	$ 374,656	$ (394,424)	$ 679,775
Net income (loss) per share of common stock	$ (.02)	$ .05	$ (.05)	$ .10
Weighted average number of shares outstanding	8,197,222	6,895,773	7,360,063	6,887,865

See accompanying notes to consolidated financial statements.

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 1991 AND 1990

(UNAUDITED)

	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (394,424)	$ 679,775
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	-	112,491
Changes in assets and liabilities, excluding assets acquired:		
Decrease in accounts receivable	78,742	316,365
Decrease in tax loss carryback	879,675	-
Decrease in precious metals inventory	-	29,184
(Increase) in prepaid expenses and other current assets	-	(152,161)
Decrease in other assets	-	12,905
Increase (decrease) in accounts payable and other liabilities	(61,062)	1,090,551
Increase in accrued income taxes	-	92,378
Total adjustments	897,355	1,501,713
Net cash provided by (used in) operating activities	502,931	2,181,488
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(65,227)
Purchase of assets from Metal Assayers, Inc.	-	754
Net cash used in investing activities	-	(64,473)

(Continued)

OREXANA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 1991 AND 1990

(UNAUDITED)

(Continued)

	1991	1990
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from bank	-	125,000
Repayments of notes payable	-	(100,535)
Repayments to related party	-	(200,000)
Proceeds from stock issuance	91,000	-
Net cash provided by (used in) financing activities	91,000	(175,535)
Net increase in cash	593,931	1,941,480
CASH AND CASH EQUIVALENTS, beginning of period	28,437	2,316,841
CASH AND CASH EQUIVALENTS, end of period	$ 622,368	$4,258,321
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest expense	$ 1,457	$ 28,916
Income taxes	$ (879,675)	$ 480,255

See accompanying notes to consolidated financial statements.

OREXANA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1991

(UNAUDITED)

(1) DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

The consolidated balance sheet as of March 31, 1991, which has been derived from audited statements, and the unaudited interim consolidated financial statements included herein, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. It is suggested that these financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report filed on Form 10-K for the fiscal year ended March 31, 1991.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of December 31 and March 31, 1991, the results of operations for the three-month and nine-month periods ended December 31, 1991 and 1990, and cash flows for the nine-month periods ended December 31, 1991 and 1990.

The accounting policies followed for quarterly financial reporting purposes are the same as those disclosed in the Company's audited financial statements for the year ended March 31, 1991 included in the Form 10-K.

(2) LEGAL PROCEEDINGS:

In November 1991, the Registrant, its former parent and two of its former executive officers and directors and others were indicted in an action brought by the United States in the United States District Court for the Northern District of Georgia. As to the Registrant, the Indictment alleged that the Registrant conspired to launder the proceeds from the sale of drugs.

Concurrently with the service of the Indictment on the Registrant, the Registrant was also served with a Restraining Order dated November 22, 1991 which enjoined the Registrant from disposing of any of its assets for any reason whatsoever. On November 27, 1991, the Restraining Order was modified by the Court to permit the Registrant to dispose of its assets (a) in connection with transactions in the ordinary course of business; (b) in connection with the acquisition of one or more businesses; and (c) in connection with expenditures made with respect to the defense of the action.

The Registrant and the United States have agreed in principle to settle the action.

(3) OTHER INFORMATION:

The Registrant and certain representatives of the United States have agreed in principle to settle the action described in Note 2 hereof. Pursuant to the Settlement (a) the Registrant will plead guilty to a three count information to be filed in the United States District Court for the Southern District of Florida charging it with violations of laws relating to money laundering and fraud; (b) the Indictment will be dismissed; (c) the Registrant will pay $700,000 to the United States with interest over a ten year period in annual amounts representing 5% of the Registrant's annual gross profits: and (d) the Registrant will assign to the United States its rights under a Settlement Stipulation with Sharps Pixley Incorporated. The Settlement is subject to final approval of the United States Attorney's Office and the Court.

The legal action brought against the Registrant by Sharps Pixley Incorporated has been dismissed with prejudice.

The Registrant has been advised by NASDAQ that due to higher maintenance standards for companies seeking to maintain their listing thereon which became effective on March 2, 1992, the Registrant does not presently meet all such standards. Such standards would require the Registrant to have total assets of not less than $2,000,000; capital and surplus of not less than $1,000,000; market value of public float of not less than $200,000; minimum bid price of $1.00 and two market makers. The Registrant has been further advised by NASDAQ that certain exceptions to the foregoing standards may be made by NASDAQ. The Registrant has requested a hearing be held before NASDAQ to determine if the Registrant is eligible for such exceptions. In a letter to the Registrant from NASDAQ, NASDAQ stated that the Registrant's common stock can be listed on the "OTC-Bulletin Board" of the National Association of Securities Dealers, Inc. NASDAQ further stated that quotation information on the OTC-Bulletin Board is available on stockbrokers' desktop terminals and thus the Registrant "can continue to enjoy significant visibility among securities professionals and investors."

The Registrant has also been advised by NASDAQ that as of September 30, 1991 the Registrant did not meet either the total asset or capital and surplus requirement because the Registrant's assets as of such date "were primarily comprised of a tax loss carryback, an asset determined by the staff to be restricted in its use due to its non-operational nature." Subsequent thereto the Registrant has received cash payments in substantially the amounts of its recorded tax loss carrybacks. NASDAQ also has advised the Registrant that as a result of the Indictment, more stringent criteria for the inclusion of the Registrant's common stock on NASDAQ may be warranted. The Registrant has requested a hearing be held before NASDAQ with respect to the foregoing matters.

OREXANA CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On March 15, 1991 the Registrant suspended operations as a result of material difficulties in its dealings with a supplier of silver and a supplier of gold which is described in the notes to the Registrant's audited financial statements for the year ended March 31, 1991 included in the Form 10-K and in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations of the Form 10-K.

On November 13, 1991 the Registrant was indicted along with it's former chairman and president by the United States District Court for the Northern District of Georgia. The indictment alleges that the former chairman of the registrant, Duvan Arboleda, supervised and directed the laundering of money from the sale of drugs through this and other corporations and that he was aided and abetted by the former president of the registrant, Harry A. Falk, in the laundering of drug proceeds. The current officers and directors of the registrant have no knowledge of the accuracy of these charges which may or may not have resulted from actions of the former officers. The registrant has cooperated fully with the government and is in the process of negotiating a settlement agreement with the government. The effect of these negotiations may have an impact which cannot be determined at this time on the financial statements of the registrant.

On February 4, 1992 the Registrant completed the acquisition of 100% of the stock of Diagnostic Ultrasound, Inc. in exchange for 162,200 shares of Orexana stock and an agreement to invest up to $330,000 in the company for working capital and equipment acquisitions. Diagnostic Ultrasound, Inc. has been in the mobile medical imaging field for 6 years." With this acquisition Orexana has resumed revenue producing business operations.

General and administrative expenses for the three months ended December 31, 1991 totaled $126,849 which consisted primarily of professional fees and administrative costs related to the collection of receivables and the settlement of claims.

The net loss for the nine months ended December 31, 1991 was $394,424 resulting primarily from the administrative and professional fees incurred during the period.

As of December 31, 1991 the Registrant had working capital of $541,335, a decrease of $313,424 over working capital at March 31, 1991. Cash and cash equivalents were $622,368, an increase of $593,931 over cash and cash equivalents at March 31, 1991.

On July 30, 1991 the Registrant entered into a Settlement Stipulation with Sharps Pixley Incorporated ("Sharps") wherein the Registrant assigned to Sharps all claims of any nature it may then have had against any suppliers, persons or other entities and has assigned or will assign, as requested, all of its interest in real property, mining interest, refinery equipment and all other equipment owned as of such date. Pursuant to the Settlement Stipulation the Registrant retained (a) its corporate name, shell, legal existence and structure, (b) any federal, state, or local tax loss carry forwards, carry backs or other tax benefits to which the Registrant may be entitled, and (c) approximately $45,000 in cash. Any recovery and realizations from the assets and claims assigned to Sharps will be allocated with the first $1,500,000 being retained by Sharps and the remaining recovery being divided equally between Sharps and the Registrant.

The Registrant has begun preliminary negotiations with additional companies in the medical technology and medical imaging fields in connection with the possible acquisition of a controlling interest therein. The consummation of any such acquisition is expected to be contingent on, among other things, the Registrant's ability to secure equity capital. There can be no assurance that any acquisition or similar transaction will be consummated by the Registrant.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

In November 1991, the Registrant, its former parent and two of its former executive officers and directors and others were indicted in an action brought by the United States in the United States District Court for the Northern District of Georgia (the "Indictment"). As to the Registrant, the Indictment alleged that the Registrant conspired to launder the proceeds from the sale of drugs.

Concurrently with the service of the Indictment on the Registrant, the Registrant was also served with a Restraining Order dated November 22, 1991 which enjoined the Registrant from disposing of any of its assets for any reason whatsoever. On November 27, 1991, the Restraining Order was modified by the Court to permit the Registrant to dispose of its assets (a) in connection with transactions in the ordinary course of business; (b) in connection with the acquisition of one or more businesses; and (c) in connection with expenditures made with respect to the defense of the action.

The Registrant and the United States have agreed in principle to settle the action. Reference is made to the response to Item 5 hereof.

Item 5. Other Information

The Registrant and certain representatives of the United States have agreed in principle to settle the action described in Item 1 hereof (the "Settlement"). Pursuant to the Settlement (a) the Registrant will plead guilty to a three count information to be filed in the United States District Court for the Southern District of Florida charging it with violations of laws relating to money laundering and fraud; (b) the Indictment will be dismissed; (c) the Registrant will pay $700,000 to the United States with interest over a ten year period in annual amounts representing 5% of the Registrant's annual gross profits; and (d) the Registrant will assign to the United States its rights under a Settlement Stipulation with Sharps Pixley Incorporated. The Settlement is subject to final approval of the United States Attorney's Office and the Court.

The legal action brought against the Registrant by Sharps Pixley Incorporated has been dismissed with prejudice.

The Registrant has been advised by NASDAQ that due to higher maintenance standards for companies seeking to maintain their listing thereon which became effective on March 2, 1992, the Registrant presently does not meet such standards. Such standards would require the Registrant to have total assets of not less than $2,000,000; capital and surplus of not less than $1,000,000; market value of public float of not less than $200,000; minimum bid price of

$1.00 and two market makers. The Registrant has been further advised by NASDAQ that certain exceptions to the foregoing standards may be made by NASDAQ. The Registrant has requested a hearing be held before NASDAQ to determine if the Registrant is eligible for such exceptions. In a letter to the Registrant from NASDAQ, NASDAQ stated that the Registrant's common stock can be listed on the "OTC-Bulletin Board" of the National Association of Securities Dealers, Inc. NASDAQ further stated that quotation information on the OTC-Bulletin Board is available on stockbrokers' desktop terminals and thus the Registrant "can continue to enjoy significant visibility among securities professionals and investors."

The Registrant has also been advised by NASDAQ that as of September 30, 1991 the Registrant did not meet either the total asset or capital and surplus requirement because the Registrant's assets as of such date "were primarily comprised of a tax loss carryback, an asset determined by the staff to be restricted in its use due to its non-operational nature." Subsequent thereto the Registrant has received cash payments in substantially the amounts of its recorded tax loss carrybacks. NASDAQ also has advised the Registrant that as a result of the Indictment, more stringent criteria for the inclusion of the Registrant's common stock on NASDAQ may be warranted. The Registrant has requested a hearing be held before NASDAQ with respect to the foregoing matters.

Duvan Arboleda, Harry A. Falk and Mark L. Stefan have resigned from the Registrant's Board of Directors.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OREXANA CORPORATION
(REGISTRANT)

By: Martin Swarzman
Martin Swarzman, Principal Executive,
Financial and Accounting Officer and
Director
Date: March 3, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

500 North Capital Street, Room 130

Washington, D. C. 20549

For Quarter Ended November 30, 1991

Commission file number: 0-17167

Pacific Energy & Mining Company

(Exact Name of Registrant as Specified in its Charter)

Nevada	95-4144026
State or other jurisdiction of incorporation	IRS Employer Identification Number

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P.O. Box 18148
Reno, NV 89511

(702) 852-744

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Q-Data Corp. - St. Petersburg, FL

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes_X_ No___

On November 30, 1991 there were issued and outstanding 1,554,268 shares of the Common Stock, par value $0.001 per share, and 1,032,500 shares of the Preferred Stock, par value $0.001 per share, of the registrant.

PACIFIC ENERGY & MINING COMPANY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED
NOVEMBER 30, 1991

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Consolidated Balance Sheet - November 30, 1991 and August 31, 1991 1

Consolidated Statement of Operations - Three months and nine months ended November 30, 1991 and November 30, 1990 3

Consolidated Statement of Cash Flows - three months ended November 30, 1991 and November 30, 1990 4

Notes to Unaudited Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 7

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K 7

SIGNATURES 8

PACIFIC ENERGY AND MINING COMPANY

CONSOLIDATED BALANCE SHEETS
November 30, 1991 and August 31, 1991

ASSETS	November 30, 1991 Unaudited	August 31, 1991 Unaudited
CURRENT ASSETS:		
Cash	$ 2,256	$ 8,443
Accounts Receivable	558,525	221,675
Other receivables	166,606	171,733
Inventory	700,379	729,429
Supplies and Prepaids	110,486	110,210
TOTAL CURRENT ASSETS	1,538,252	1,241,490
NET PROPERTY AND EQUIPMENT	1,064,620	1,092,062
OTHER ASSETS		
Long term investments	17,364	22,699
Deferred costs	56,528	58,882
Due from related parties	45,903	43,905
	119,795	125,486
TOTAL ASSETS	$ 2,722,667	$ 2,459,038

See Notes to Unaudited Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED BALANCE SHEETS
November 30, 1991 and August 31, 1991

LIABILITIES AND SHAREHOLDERS' EQUITY	November 30, 1991 Unaudited	August 31, 1991 Unaudited
CURRENT LIABILITIES		
Short term borrowing	$ 931,976	$ 919,271
Accounts payable	810,167	863,499
Current maturities of long term debt	0	0
TOTAL CURRENT LIABILITIES	1,742,143	1,782,770
OTHER LIABILITIES		
Deferred liabilities	17,964	18,713
Long term debt	0	0
Due to related parties	295,847	292,697
TOTAL OTHER LIABILITIES	313,811	311,410
TOTAL LIABILITIES	2,055,954	2,094,180
MINORITY INTEREST	96,934	33,872
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 10,000,000 par value $.001, issued and outstanding 1,032,500	1,032	1,032
Common stock - authorized 100,000,000 shares par value $.001 - issued and outstanding 1,554,268	1,554	1,554
Additional paid in capital	2,015,479	2,015,479
Dividends	(100,000)	(100,000)
Cumulative foreign currency translation adjustment	(482,367)	(465,278)
Retained Earnings (deficit)	(865,919)	(1,121,801)
TOTAL SHAREHOLDERS' EQUITY	569,779	330,986
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,722,667	$ 2,459,038

See Notes to Unaudited Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED STATEMENT OF CPERATIONS

	For the three months ended November 30, 1991 Unaudited	For the three months ended November 30, 1990 Unaudited	
SALES	$ 1,566	$ 239	$
COSTS AND EXPENSES			
Cost of sales	0	19,616	
Selling and admin. exp.	22,148	45,795	
Interest	5,518	4,127	
TOTAL COSTS AND EXPENSES	27,666	69,538	
	(26,100)	(69,538)	
OTHER INCOME (EXPENSES)-NET	346,384	1,318	
NET INCOME/(LOSS) BEFORE MINORITY INTEREST	320,284	(67,981)	
MINORITY INTEREST	64,402	(6,308)	
NET INCOME/(LOSS)	$ 255,882	$ (61,673)	
NET INCOME/(LOSS) PER COMMON SHARE	$ 0.165	$ (0.001)	
WEIGHTED AVERAGE NUMBER OF COMMON STOCKS OUTSTANDING	1,554,268	86,510,000	

See Notes to Unaudited Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended November 30, 1991	For the three months ended November 30, 1990
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from customers	$ 282,519	$ 10,285
Cash paid to vendors and employees	(344,151)	(51,608)
Interest paid	(5,518)	(4,127)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(67,150)	(45,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,766)	(19,500)
Purchase of marketable securities		
Proceeds from sale of marketable securities		
Acquisition of partnership interest		
Partnership distributions	5,000	18,333
Proceeds from insurance settlement		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,234	(1,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term and long-term borrowings	41,286	1,049
Principal payments under short-term and long-term borrowings	17,652	2
Payments received on insurance settlement		
Advances from related parties		40,900
Repayment to related parties		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	58,938	41,951
EFFECT OF FOREIGN CURRENCY TRANSLATION	(209)	93
NET INCREASE (DECREASE) IN CASH	(6,187)	(4,573)
CASH BALANCE, Beginning of period	8,443	53,500
CASH BALANCE, End of period	$ 2,256	$ 48,927

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS, Continued

	For the three months ended November 30, 1991 Unaudited	For the three months ended November 30, 1990 Unaudited
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED), BY OPERATING ACTIVITIES:		
Net income (loss)	$ 255,882	$ (61,673)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization of property and equipment	12,057	32,481
Minority interest in net income of subsidiary	(64,402)	(6,308)
Partnership income		
Write-off of investments and advances		
Loss from sale of marketable securities		
Income from insurance settlement		
(Increase) in accounts receivable	(345,717)	10,046
(Increase) in other receivables	56	(85)
(Increase) decrease in inventory		(3)
(Increase) in prepaid expenses	(4,684)	(2,681)
(Increase) in deferred costs	(1)	
Increase (decrease) in accounts payable and accrued expenses	(38,986)	(4,738)
Increase (decrease) in deferred liabilities		
Increase in due to related parties	1,152	
Other, net	117,493	(12,489)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (68,302)	$ (45,450)

NONCASH TRANSACTIONS:

1. Corporate recaptilization
2. Acquisition of subsidiary
3. Effects of foreign currency translation
4. Changes in minority interest
5. Debentures converted to preferred stock
6. Common stock exchanged for common stock of Kamputech, Inc.
7. Common stock issued to related party in settlement of debt
8. Forgiveness of obligation to related party
9. Property and equipment acquired for debt
10. Due to related party converted to long-term debt
11. Property and equipment acquired from related party

See accompanying Notes to Consolidated Financial Statements.

PACIFIC ENERGY & MINING COMPANY
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

November 30, 1991

1. Comments

In the opinion of the management of the Company, the accompanying condensed unaudited financial statements contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position at November 31, 1991, and cash flows for the nine months ended November 31, 1991. Certain information and footnote disclosure normally included in financial statements that would have been prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although management of the Company believes that the disclosures in these financial statements are adequate to make the information presented therein not misleading.

The results of operations for the three months ended November 31, 1991 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending 1992.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

The company had no chrome ore sales, PCM during the period entered into an agreement with a government owned steel mill in akistan to produce ferrochrome. The lack of chrome ore sales is directly related to the worldwide recession, the company does not expect to resume chrome ore shipments to the ferrochrome producers in the near future. Interest expense for maintaining large ore inventories. A substantial part of the loss is due to legal costs associated with the defense of the company in a criminal complaint brought by the Los Angeles County district attorney against the company and its president for the illegal transportation of hazardous waste. The monies being spent to defend the company were originally allocated to finish contruction of the company's magnesia plant. The construction of the magnesia plant has been postponed till the criminal action is resolved. The company has had to spend most of its resources on its defence and on legal fees. Management feels that till the legal problems surrounding the criminal complaint are resolved the company cannot make any progress towards implementation of the various projects.

Part II. OTHER INFORMATION
Item 6. Exhibits and Reports on Form 8-K

Form 8-K Filed January 13, 1992 amending Form 10-K, item 5. Market for Registrant's Common Stock and Related Stockholder Matters.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pacific Energy and Mining Co.

Date: February 19, 1992

TARIQ I. AHMAD Tariq Ahmad

Tariq Ahmad
President

Date: February 19, 1992

RHONDA AHMAD Rhonda Ahmad

Rhonda Ahmad
Secratary

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED DECEMBER 31, 1991

COMMISSION FILE NUMBER 0-3132

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)
Exact name of Registrant as specified in its charter

CALIFORNIA	94-1612110
(State or other jurisdiction of incorporation or organization)	(Internal Revenue Service Employer Identification Number)

POST OFFICE BOX 5615
FRESNO, CALIFORNIA 93755-5615
Address of principal executive offices

(209) 434-2800
Registrant's telephone number

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

COMMON STOCK, $.10 PAR VALUE	5,789,920
	Number of shares of common stock outstanding December 31, 1991

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PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

PART I: Financial Information

ITEM 1 - Financial statements

ITEM 2 - Management's discussion and analysis of financial condition and results of operations

PART II: Other Information

ITEM 1 - Submission of matters to a vote of security holders

PART I

ITEM 1 - Financial statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

BALANCE SHEET

(UNAUDITED)

	December 31,	
	1991	1990
ASSETS		
CURRENT ASSETS:		
Certificate of Deposit	$ 70,000	$ 70,000
Inventory	5,250	8,568
Prepaid expenses	0	23,564
Notes receivable	254,000	315,500
Notes receivable - Common Stock Subscribed	200,000	0
Deposit	25,000	0
TOTAL CURRENT ASSETS	554,250	417,632
PROPERTY AND EQUIPMENT - AT COST:		
Land - improved	278,700	278,700
Building	601,326	638,504
Improvements	54,757	29,882
Property and equipment (successful efforts methods of accounting)	158,038	140,027
	1,092,821	1,087,113
Less: Accumulated depreciation	(79,365)	(84,251)
TOTAL PROPERTY AND EQUIPMENT	1,013,456	1,002,862
INVESTMENT - AT COST	731,565	52,639
	$2,299,271	$1,473,133

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

BALANCE SHEET

(UNAUDITED)

(CONTINUED)

	December 31, 1991	December 31, 1990
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 229,339	$ 99,029
Royalties Payable	16,993	0
Income Taxes Payable	8,111	0
Notes payable	69,500	245,000
Current portion of long-term debt	54,333	136,511
Lease deposits	2,838	2,838
TOTAL CURRENT LIABILITIES	381,114	483,378
LOANS FROM STOCKHOLDERS	67,494	51,724
LONG-TERM DEBT, NET OF CURRENT PORTION	750,088	446,838
TOTAL LIABILITIES	1,198,696	981,940
STOCKHOLDERS' EQUITY:		
Common stock, $.10 par value; authorized 100,000,000 shares; issued and outstanding: 5,789,920 shares December 31, 1991; 2,000,000 shares pending transer from transfer agent; 6,909,922 December 31, 1990	778,992	690,992
Common stock subscribed	200,000	0
Additional paid-in capital	2,134,078	1,452,926
Accumulated deficit	(2,012,495)	(1,652,725)
TOTAL STOCKHOLDERS' EQUITY	1,100,575	491,193
	$2,299,271	$1,473,133

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

STATEMENT OF REVENUE AND EXPENSES AND ACCUMULATED DEFICIT

(UNAUDITED)

	Three Months Ended December 31, 1991	Three Months Ended December 31, 1990	Six Months Ended December 31, 1991	Six Months Ended December 31, 1990
REVENUE:				
Sales of crude oil and gas	$ 0	$ 23,372	$ 11,908	$ 45,571
Royalty income	0	9,974	548	13,659
Oil lease income	9,166	12,000	11,224	12,000
Rent - building	2,314	8,580	4,612	16,059
Gain on sale of property	0	729	0	729
	11,480	54,655	28,292	88,018
COSTS AND EXPENSES:				
Cost of operations	3,570	16,376	6,784	20,908
Depreciation and depletion	9,154	10,070	18,308	20,140
Shared overhead charge	0	0	0	14,000
General and administrative expenses	31,539	130,855	80,458	173,762
Building expense	20,000	32,006	31,150	48,414
	64,263	189,307	136,700	277,224
Net loss	(52,783)	(134,652)	(108,408)	(189,206)
Accumulated deficit, beginning of period	(1,959,712)	(1,518,073)	(1,904,087)	(1,463,519)
Accumulated deficit, end of second quarter	$(2,012,495)	$(1,652,725)	$(2,012,495)	$(1,652,725)
PER SHARE DATA				
Net loss per share	$ (.01)	$ (.02)	$ (.01)	$ (.03)

See Notes to Financial Statements

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

NOTES TO FINANCIAL STATEMENTS

QUARTER ENDED DECEMBER 31, 1991

(UNAUDITED)

NOTE A - GENERAL

The unaudited financial statements of Pan American Energy Corporation for the quarter ended December 31, 1991 reflect all adjustments, which are of a normal recurring nature, which are, in the opinion of management, necessary for a fair statement of the results of operations for the period then ended.

NOTE B - NET ASSET ACQUISITION

The Corporation acquired, effective June 29, 1990, specified assets and liabilities of Supreme Investors, Inc. Supreme Investors, Inc. is an affiliate corporation with interrelated directors. The total cost of the acquisition was $400,000 which exceeded the net assets of Supreme Investors, Inc. by $45,700. The excess was allocated to building and land-improved, based on appraisal values and will be depreciated over the estimated remaining useful lives of the assets.

The purchased price for the specified assets and liabilities was four million (4,000,000) shares of Supreme Oil and Gas Corporation (name changed to Pan American Energy Corporation) common stock, valued for the transaction at $.10 per share. The purchase price involved two million (2,000,000) shares of Supreme Oil and Gas Corporation stock issued to Supreme Investors, Inc. upon close of escrow (September 13, 1990), and a $200,000 promissory note, due on or before August 31, 1991, convertible to two million (2,000,000) shares by the holder of the note. The effective date of the stock and promissory note was also June 29, 1990. The specified assets and related liabilities purchased included a commercial building with land, vacant land, half interest in an oil well, securities in other corporations and notes receivables.

During the quarter ending December 31, 1991 the Corporation completed the acquisition of 463,397 shares of Tri Valley Corporation, an oil and gas and minerals corporation, located in Bakersfield, CA, and 61,650 shares of SOLV-EX Corporation common stock, an oil and gas corporation with mineral assets in Canada. The Corporation plans to continue its diversification of assets by acquiring security positions in other public companies.

PART I

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources:

The Corporation experienced lower oil revenues during the quarter ending December 31, 1991, due to lower world oil prices. The Kliewer oil well 82-29 acquired in June 1990 was put into service on September 21, 1990. The production operations of Kliewer 82-29 oil well have been idle since March, 1991 pending expansion of the pooled acreage and the completion of a well for disposal of producted water.

The Corporation had decreased expenses during this quarter because the Corporation closed its office in San Jose, California in June, 1991. This included the termination of one employee and reduced expenses such as rent, utilities and general office expense. The Corporation also closed its office in Fresno, California in July, 1991 and moved into the residence of the Corporation's President. The closing of the office included the termination of a manager and six employees plus the reduction of expenses such as rent, utilities and general office expenses. Additionally, legal and accounting costs were reduced due to the Corporation not preparing securities offerings to raise funds or lack of special projects.

Management plans on expending funds for the reduction of corporate debt, the purchase of oil properties and capital improvements in areas such as the development of a water disposal well for the Kliewer oil well. Capital will be obtained from notes receivable, short-term borrowing and the anticipated sale of corporate securities through Section 3a-11 of the Securities Act of 1933.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations:

The Corporation purchased an office building in Bakersfield, California in June, 1990. The building occupancy for this quarter ending December 31, 1991 was approximately 30%. The rental income decreased from the same quarter last year due to the agreements with individuals to exchange services for rent. The Corporation is continuing its discussions with its lenders to restructure the debt on the buildings. The Corporations main lender, Santa Paula Savings and Loan Association, has been taken over by the Resolution Trust Corporation (RTC). It is unknown how this will effect negotiations to restructure the debt on the office building.

The gross revenue has decreased substantially compared to the same quarter last year due to the decrease in oil prices, the rental exchange agreements described above and the idleness of the Kliewer 82-29 oil well as illustrated below:

	Quarter Ended December 31,	
	1991	1990
Sales of crude oil	$ 0	$ 23,372
Royalty income	0	9,974
Oil lease income	9,166	12,000
Rental income	2,314	8,580
Other income	0	729
Total revenue	$ 11,480	$ 54,655

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations (Continued):

The following table sets forth pertinent information relating to the Corporation:

	Revenue and Operation Expense Quarter Ended December 31,	
	1991	1990
Revenue	$ 11,480	$ 54,655
Less:		
Costs of operations	3,570	16,376
General and administrative expenses	31,539	130,855
Depreciation/depletion	9,154	10,070
Building expense	20,000	32,006
Income/loss	$ (52,783)	$ (134,652)

The decreased costs of operations such as rework costs, vacuum truck fees and pumper fees are due mainly to the cessation of production operations of the Kliewer 82-29 oil well.

PART II

ITEM 1 - Submission of matters to a vote of security holders

No matters were submitted to a vote of the security holders during the quarter ending December 31, 1991.

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: 4/26/92

Wayne E. Crumpley
Chief Financial Officer

MAY 06 1

PAN AMERICAN ENERGY CORPORATION
(FORMERLY SUPREME OIL AND GAS CORPORATION)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

QUARTER ENDED DECEMBER 31, 1991

COMMISSION FILE NUMBER 0-3132

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0-35907

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 30, 1992

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-8210

PAYLESS CASHWAYS, INC.
(Exact name of registrant as specified in its charter)

Iowa (State or other jurisdiction of incorporation or organization)	42-0945849 (I.R.S. Employer Identification No.)

Two Pershing Square
2300 Main, P.O. Box 419466
Kansas City, Missouri
(Address of principal executive offices)

64141-0466
(Zip Code)

Registrant's telephone number, including area code: (816) 234-6000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value, outstanding as of June 19, 1992:

Class A	-- 3,751,322	shares
Class B	-- 1,125,000	shares
Class C	-- 900	shares
Class D	-- 2,250,000	shares

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PAYLESS CASHWAYS, INC. AND SUBSIDIARY

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) (1)

(In thousands, except per share amounts)	Thirteen Weeks Ended May 30, 1992	Thirteen Weeks Ended May 25, 1991	Twenty-Six Weeks Ended May 30, 1992	Twenty-Six Weeks Ended May 25, 1991
Income				
Net sales	$682,342	$635,250	$1,152,933	$1,075,874
Other income	1,060	1,053	1,982	2,194
	683,402	636,303	1,154,915	1,078,068
Costs and expenses				
Cost of merchandise sold	479,215	446,624	797,094	745,218
Selling, general and administrative	141,328	132,028	268,842	251,077
Special charges (8)	6,500	--	6,500	--
Provision for depreciation and amortization	13,579	14,321	27,065	28,644
Interest	38,816	38,564	77,203	77,205
	679,438	631,537	1,176,704	1,102,144
INCOME (LOSS) BEFORE INCOME TAXES (BENEFIT)	3,964	4,766	(21,789)	(24,076)
Income taxes (benefit)(6)	455	479	(2,506)	(2,694)
Income (loss) before cumulative effect of change in accounting principle	3,509	4,287	(19,283)	(21,382)
Cumulative effect on prior years of change in accounting for postretirement benefits (7)	--	--	(6,902)	--
NET INCOME (LOSS)	$ 3,509	$ 4,287	$ (26,185)	$ (21,382)
Income (loss) per common share before cumulative effect of change in accounting principle	$ .32	$ .43	$ (3.26)	$ (3.55)
Cumulative effect of change in accounting principle per common share (7)	--	--	(1.05)	--
Net income (loss) per common share (3)	$ .32	$ .43	$ (4.31)	$ (3.55)
Weighted average common and dilutive common equivalent shares outstanding	7,576	7,648	6,571	6,571

See Notes to Condensed Consolidated Financial Statements

PAYLESS CASHWAYS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS (1)

(In thousands)	May 30, 1992 (Unaudited)	November 30, 1991	May 25, 1991 (Unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 39,669	$ 36,619	$ 37,818
Trade receivables	7,596	5,983	6,453
Merchandise inventories (2)	393,187	347,597	372,701
Prepaid expenses and other current assets	13,293	20,529	11,255
Deferred income taxes	9,782	--	--
TOTAL CURRENT ASSETS	463,527	410,728	428,227
OTHER ASSETS			
Real estate held for sale	11,914	11,914	14,655
Cost in excess of net assets acquired, less accumulated amortization of $49,813, $43,305 and $36,797, respectively	470,853	477,361	483,869
Deferred financing costs	27,494	29,392	31,315
Other	7,714	7,138	6,357
LAND, BUILDINGS AND EQUIPMENT	681,333	680,590	668,147
Allowance for depreciation and amortization	(157,615)	(142,073)	(125,166)
	523,718	538,517	542,981
	$1,505,220	$1,475,050	$1,507,404

See Notes to Condensed Consolidated Financial Statements

PAYLESS CASHWAYS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS (1) (Cont'd.)

(In thousands)	May 30, 1992 (Unaudited)	November 30, 1991	May 25, 1991 (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Current portion of long-term debt	$ 65,514	$ 79,738	$ 65,602
Trade accounts payable	176,919	133,617	167,220
Other current liabilities	133,336	127,715	119,130
Deferred income taxes	--	4,088	5,440
TOTAL CURRENT LIABILITIES	375,769	345,158	357,392
LONG-TERM DEBT, less portion classified as current liability (4)	1,014,950	998,047	1,023,112
DEFERRED CREDITS			
Income taxes	73,675	65,346	67,838
Other	15,160	15,605	16,124
COMMON STOCK SUBJECT TO PUTS AND CALLS (5)	6,579	5,621	5,788
WARRANTS SUBJECT TO PUTS (5)	18,242	18,242	18,242
SHAREHOLDERS' EQUITY (DEFICIT)			
Preferred Stock, $1.00 par value, 18,000,000 shares authorized; issued:			
Series A Cumulative Convertible Preferred Stock, 406,000 shares at redemption value	40,600	40,600	40,600
Common Stock, $.01 par value:			
Class A, 54,000,000 shares authorized, 3,751,322, 3,700,956 and 3,715,984 shares issued (less 556,322, 505,956 and 520,984 shares subject to puts and calls)	32	32	32
Class B, 54,000,000 shares authorized, 1,125,000 shares issued	11	11	11
Class C, 900 shares authorized, 900 shares issued	--	--	--
Class D, 22,500,000 shares authorized, 2,250,000 shares issued	23	23	23
Additional paid-in capital	70,108	70,108	70,108
Retained deficit	(109,929)	(83,743)	(91,866)
	845	27,031	18,908
	$1,505,220	$1,475,050	$1,507,404

See Notes to Condensed Consolidated Financial Statements

PAYLESS CASHWAYS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (1)

(In thousands)	Twenty-Six Weeks Ended	
	May 30, 1992	May 25, 1991
Cash Flows from Operating Activities		
Net loss	$(26,185)	$(21,382)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	27,065	28,644
Noncash interest	27,073	22,964
Cumulative effect on prior years of change in accounting for post-retirement benefits (7)	6,902	--
Deferred income taxes	(5,541)	(2,823)
Other	674	406
Changes in assets and liabilities	2,054	9,593
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,042	37,402
Cash Flows from Investing Activities		
Additions to land, buildings and equipment	(6,813)	(22,055)
Proceeds from sale of land, buildings and equipment	1,055	238
Increase in other assets	(576)	(586)
NET CASH USED IN INVESTING ACTIVITIES	(6,334)	(22,403)
Cash Flows from Financing Activities		
Retirements of long-term debt	(22,387)	(10,719)
Other	(271)	(1,972)
NET CASH USED IN FINANCING ACTIVITIES	(22,658)	(12,691)
Net increase in cash and cash equivalents	3,050	2,308
Cash and cash equivalents, beginning of period	36,619	35,510
Cash and cash equivalents, end of period	$ 39,669	$ 37,818

See Notes to Condensed Consolidated Financial Statements

PAYLESS CASHWAYS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Twenty-six weeks ended May 30, 1992 and May 25, 1991.

(1) The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. To the extent that information and footnotes required by generally accepted accounting principles for complete financial statements are contained in or consistent with the audited consolidated financial statements incorporated by reference in the Company's Form 10-K for the year ended November 30, 1991, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of financial statements have been reflected herein. The November 30, 1991, condensed consolidated balance sheet has been derived from the audited consolidated financial statements as of that date.

Federal and state income taxes paid, net of refunds, during the twenty-six weeks ended May 30, 1992 were approximately $2.2 million and income tax refunds, net of taxes paid, during the twenty-six weeks ended May 25, 1991 were approximately $5.6 million. Cash payments for interest, net of interest capitalized, were $53.0 million and $56.0 million for the twenty-six weeks ended May 30, 1992 and May 25, 1991, respectively.

(2) Approximately 82% of the Company's inventories are valued using the LIFO (last-in, first-out) method. Because inventory determination under the LIFO method is only made at the end of each fiscal year based on the inventory levels and costs at that time, interim LIFO determinations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Since future estimates of inventory levels and costs are subject to change, interim financial results reflect the Company's most recent estimate of the effect of inflation and are subject to final year-end LIFO inventory amounts. If the FIFO (first-in, first-out) method of inventory accounting had been used by the Company, inventories would have been $20.9 million, $17.0 million and $18.4 million higher than reported at May 30, 1992, November 30, 1991, and May 25, 1991, respectively.

(3) Net loss per common share has been computed based on the average number of common shares outstanding during the period plus common stock equivalents, when dilutive, consisting of shares subject to puts and calls, certain stock options and warrants. For purposes of this computation, net loss was adjusted for dividend requirements on preferred stock, changes in the redemption value of both common stock subject to puts and calls and warrants subject to puts, and interest expense reduction (net of tax) applicable to the exercise of warrants and stock options, when these items were dilutive. Additional shares of common stock issuable upon the conversion of convertible preferred stock (which is not a common stock equivalent) and the exercise of performance-based stock options have been considered only when the impact is dilutive.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(4) Long-term debt consisted of the following:

	May 30, 1992	May 25, 1991
	(In thousands)	
Merger Credit Agreement	$ 217,695	$ 269,467
Mortgage loan payable to insurance company	230,243	230,243
Senior subordinated debentures	317,124	316,240
Junior subordinated debentures	311,162	263,922
Other senior debt	4,240	8,842
	1,080,464	1,088,714
Less portion classified as current liability	(65,514)	(65,602)
	$1,014,950	$1,023,112

(5) During the twenty-six weeks ended May 25, 1991, the common stock subject to puts and calls and the warrants subject to puts were adjusted approximately $1.0 million and $2.3 million, respectively, to reflect a decrease in estimated redemption value (fair value). These adjustments have been reported as a credit to retained deficit.

(6) Effective December 1, 1991, the Company prospectively adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The cumulative effect of applying the new accounting standard to years prior to fiscal 1992 and the effect of adopting the new standard on operating results for the twenty-six weeks ended May 30, 1992 are immaterial to the consolidated financial statements.

(7) The Company has defined benefit postretirement plans that provide health and life insurance benefits for retirees and eligible dependents. The health plan is contributory and contains cost sharing features such as deductibles and coinsurance. The plans are not funded.

Effective December 1, 1991, the Company changed its method of accounting for postretirement benefits other than pensions and adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." Under Statement 106, the cost of postretirement benefits other than pensions is recognized on an accrual basis as employees perform services. The Company elected to recognize the December 1, 1991 transition obligation as a one-time charge to earnings during the thirteen weeks ended February 29, 1992. The cumulative effect of this change in accounting principle of $6,902,000 (after reduction for income tax benefits of $3,556,000) is presented in the accompanying consolidated statements of operations.

The effect of the change in accounting principle on net loss from continuing operations for the twenty-six weeks ended May 30, 1992, and the pro forma effect of the change as if the newly adopted method had been applied retroactively to the twenty-six weeks ended May 25, 1991 are immaterial. Postretirement benefit costs on a cash basis, the accounting method used prior to adoption of Statement 106, were $231,000 and $195,000 for the twenty-six weeks ended May 30, 1992, and May 25, 1991, respectively.

The following table sets forth the plans' funded status at December 1, 1991 (in thousands), upon adoption of Statement 106:

Accrued postretirement benefit cost included in other accrued expenses:	
Retirees	$ 6,725
Active plan participants	3,733
	$ 10,458

The December 1, 1991 accumulated postretirement benefit was calculated assuming an 8.5% discount rate. A 6.0% rate of increase in future compensation levels was used as it applied to certain life insurance benefits.

For measurement purposes, the health-care cost trend rate was 13.0% for 1992. The rate was assumed to decrease gradually to 5.9% by the year 2001 and remain at that level thereafter. The effect of a 1.0% annual increase in these assumed cost trend rates would increase the December 1, 1991 accumulated postretirement benefit obligation by approximately $532,000.

(8) Special charges reflecting the fees and expenses incurred in connection with the Company's withdrawn recapitalization plan are included in the periods ended May 30, 1992.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Sales

Net sales for the quarter ended May 30, 1992 increased 7.4% over the same period of 1991 in total and on a comparable-store sales basis. (Comparable stores are those open one full year.) Net sales for the first half of 1992 increased 7.2% over the same period of 1991 in total and on a comparable-store sales basis. Net sales increased for both periods primarily as a result of the growth in business from professional customers.

The net sales continue to be negatively impacted by the weak economic environment in New England served by the Company's 10 Somerville stores. The following table sets forth percentage changes in comparable store sales for the thirteen weeks and the twenty-six weeks ended May 30, 1992 and May 25, 1991, respectively:

	Thirteen Weeks		Twenty-Six Weeks	
	1992	1991	1992	1991
All stores	7.4 %	7.5 %	7.2 %	5.8 %
All stores other than Somerville stores	8.8 %	8.3 %	8.8 %	6.5 %
Somerville stores	(5.5)%	(0.1)%	(7.0)%	(1.1)%

The Company expects the New England economic environment to remain weak during 1992, but believes it is well positioned to outperform the region's retail market.

Costs and Expenses

Cost of merchandise sold, as a percent of sales, for the second quarter of 1992 as compared to the same period of 1991 decreased to 70.2% from 70.3%. For the first half of 1992 cost of merchandise sold decreased to 69.1% from 69.3%, as a percent of sales, compared to the first half of 1991. Decreases for both periods are due primarily to favorable physical inventory results in the 1992 periods.

Selling, general and administrative expenses were 20.7% and 20.8% of sales for the second quarter of 1992 and 1991, respectively. Selling, general and administrative expenses were 23.3% of sales for both the first half of 1992 and 1991.

In the second quarter of 1992 the Company also recorded a $6.5 million special charge to reflect the fees and expenses incurred in connection with the Company's withdrawn recapitalization plan discussed below.

The provision for depreciation and amortization for the quarter and year-to-date period ended May 30, 1992 and have decreased compared to the same periods of 1991 because capital expenditures have decreased since the 1988 Acquisition.

Interest expense for the quarter ended May 30, 1992 and for the first half of 1992 were relatively unchanged compared to the same periods of 1991. Approximately $56.4 million of scheduled debt payments were made between May 25, 1991 and May 30, 1992, but the accretion of interest on the Company's junior subordinated debentures offset the cash interest savings.

Net Income (Loss)

Net income for the quarter ended May 30, 1992 decreased to $3.5 million compared to $4.3 million for the same period of 1991, reflecting the $6.5 million pretax special charge discussed above. Net loss for the first half of 1992 was $26.2 million compared to a net loss of $21.4 million in the previous year. The increase in the net loss was the result of the above-mentioned special charge and a $6.9 million charge (after reduction for income tax benefits of $3.6 million) recorded in the first quarter of 1992 for a change in accounting principle effective December 1, 1991, when the Company adopted Statement of Financial Accounting Standards No. 106 and changed its method of accounting for postretirement benefits other than pensions. The effective tax rate for the first half of 1992 was 11.5% compared to 11.2% for 1991.

Liquidity and Capital Resources

The Company's principal source of cash is from operations. Cash provided by operating activities was $32.0 million for the first half of 1992 compared to $37.4 million for the same period of 1991. The decrease in cash flow is primarily attributable to changes in prepaid expenses and other current assets.

MANAGEMENT DISCUSSION AND ANALYSIS - Continued

In February 1992, the Company filed certain registration statements with the Securities and Exchange Commission in anticipation of a recapitalization. The recapitalization plan included a tender offer for the Company's senior subordinated debentures, the repurchase of the Company's junior subordinated debentures and the amendment and restatement of the Merger Credit Agreement. The recapitalization plan was designed to increase shareholder's equity, reduce the Company's debt and interest expense, increase the Company's access to capital markets and improve the Company's operating and financial flexibility. In May, 1992, the Company determined that it could not complete its equity offering within the parameters which the Company believed were beneficial to the Company and its investors. Therefore, the Company decided to withdraw the equity offering and the other components of its proposed recapitalization.

Borrowings are available under the Merger Credit Agreement to supplement cash generated by operations. At May 30, 1992, $59.4 million was available for borrowing. At May 30, 1992, working capital was $87.8 million compared to $65.6 million and $70.8 million at November 30, 1991 and May 25, 1991, respectively. The current ratios at May 30, 1992, November 30, 1991, and May 25, 1991, were 1.23 to 1, 1.19 to 1 and 1.20 to 1, respectively.

The Company spent approximately $6.8 million and $22.1 million for equipment and renovation of retail facilities and distribution centers during the first half of 1992 and 1991, respectively. The Company intends to finance the remaining fiscal 1992 budgeted capital expenditures of approximately $33 million, consisting of additional equipment and improvement of existing stores, with funds generated from operations.

Although the Company's consolidated indebtedness is and will continue to be substantial, management believes that, based upon its analysis of the Company's financial condition, the cash flow generated from operations during the past 12 months and the expected results of operations in the future, cash flow from operations and borrowings under the Revolving Credit Facility should provide sufficient liquidity to meet all cash requirements for the next 12 months without additional borrowings. However, there can be no assurance that future developments or general economic trends will not adversely affect the Company's operations or its ability to meet such obligations. In addition, the Company anticipates that certain financial covenants under the Merger Credit Agreement will require amendment prior to September 1, 1994. The Company intends to either restructure its capitalization, refinance its indebtedness or amend certain financial covenants prior to September 1, 1994. The Company is also in negotiations to extend the term of the Revolving Credit Facility from November 1993 to May 1995. However, there can be no assurance that the Company will accomplish these objectives by the required dates.

REVIEW BY INDEPENDENT AUDITORS

The condensed consolidated financial statements of Payless Cashways, Inc. and its subsidiary for the quarters ended May 30, 1992, and May 25, 1991, have been reviewed by KPMG Peat Marwick, independent auditors. Their report is included in this filing.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

Action in writing, dated as of May 1, 1992, in lieu of a special meeting of shareholders. The shareholders unanimously: 1) waived the right (referenced in Section 1 of the Registration Rights Agreement) to demand registration of any shares held by them as a part of the proposed initial public offering of common stock of the Company, which waiver was never effectuated because it was contingent upon consummation of the proposed initial public offering which was withdrawn; and 2) approved the amendment to subparagraph B of Section 3 of the 1988 Payless Cashways, Inc. Employee Stock Plan (approval of the use of cashless exercises).

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits.

4.0 Long-term debt instruments of the Registrant in amounts not exceeding ten percent (10%) of the total assets of the Registrant and its subsidiaries on a consolidated basis will be furnished to the Commission upon request.

10.1 Amendment to the 1988 Payless Cashways, Inc. Employee Stock Plan, dated as of May 1, 1992 (incorporated by reference to Exhibit 10.26 filed as part of Post-Effective Amendment No.7 to Registration Statement No. 33-23893 on Form S-2 filed May 26, 1992).

10.2 Corporate Management Incentive Compensation Program, dated as of December 1991.

11.1 Computation of per share earnings.

15.1 Letter re unaudited financial information - KPMG Peat Marwick.

b. Reports on Form 8-K.

The Registrant filed one report on Form 8-K during the quarter ended May 30, 1992. The report was dated April 8, 1992, and contained Item 5, Other Events. No financial statements were filed with this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PAYLESS CASHWAYS, INC.
(Registrant)

Date June 30, 1992

By SLightstone
Stephen A. Lightstone, Senior Vice President,
Finance and Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

Exhibit 10.2

CORPORATE MANAGEMENT INCENTIVE COMPENSATION PROGRAM

December 1991

PAYLESS CASHWAYS, INC.

CORPORATE MANAGEMENT

ANNUAL INCENTIVE COMPENSATION PROGRAM

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PAYLESS CASHWAYS, INC.

CORPORATE MANAGEMENT

COMPENSATION POLICY AND OBJECTIVES

Compensation is a critical factor in attracting, retaining and motivating personnel. As such, an effective compensation program is essential to the overall long-term success of our Company.

The compensation program for Corporate Management personnel has been designed to compensate individuals in accordance with their skills and responsibilities and to reward superior performance.

Specific objectives for the compensation program are as follows:

- Promote internal equity.
- Recognize and reward achievements through the use of a goal oriented incentive compensation program which provides incentive compensation for achievement of predetermined performance objectives.
- Promote a sense of team effort in which all management personnel share in the rewards of superior performance.
- Recognize and reward superior performance for achievement of a critical performance objective, the achievement of specified EBITD levels.

PAYLESS CASHWAYS, INC.

CORPORATE MANAGEMENT

ANNUAL INCENTIVE COMPENSATION PROGRAM

ELIGIBILITY REQUIREMENTS

To be eligible for participation in the Corporate Management Incentive Plan, an individual must be a regular, full-time employee whose position in the Payless Cashways job classification system is Grade E8 or above. Individuals whose position is Grade E7 and who have two exempt subordinates may be granted eligibilty. This determination will be made by the Senior Vice President - Human Resources.

Employees hired or promoted into an eligible position during the plan year may participate on the first day of the fiscal month following their date of employment or promotion.

TARGET INCENTIVE PAY

At the beginning of each fiscal year, the annual target incentive pay will be established for all plan participants. The target incentive pay reflects a specific percentage of an employee's actual base compensation for the plan year. The target percentage for Corporate Management begins at 12% of base compensation.

This target incentive pay will remain unchanged for the balance of the plan year unless those conditions outlined below are met. (See Incentive Award Determination Adjustments.) Actual base compensation paid during the year will be used in calculating earned awards.

INCENTIVE AWARD DETERMINATION

The incentive award under the Corporate component will be earned based upon achievement of specified EBITD levels, as established by the Compensation Committee of the Board of Directors. The award schedule will be as follows:

% OF EBITD ATTAINED	% OF TARGET INCENTIVE PAID
90%	50%
91%	55%
92%	60%
93%	65%
94%	70%
95%	75%
96%	80%
97%	85%
98%	90%
99%	95%
100%	100%
101%	105%
102%	110%
103%	115%
104%	120%
105%	125%
106%	130%
107%	135%
108%	140%
109%	145%
110% and above	150%

INCENTIVE AWARD DETERMINATION ADJUSTMENTS

Partial prorated awards shall occur in accordance with the following guidelines.

1. **New Hires.**

   Employees hired into eligible positions during the plan year shall be eligible for incentive pay. Earned incentive awards shall be based on the plan formula, the number of completed fiscal months of service since the date of employment, and the actual wages earned during the eligible period.

2. **Promoted Into Eligible Position.**

   Employees promoted into eligible positions shall be eligible for incentive pay. Earned incentive awards shall be based on the plan formula, the number of completed fiscal months of service since the date of eligibility, and the actual wages earned during the eligible period.

3. **Promoted From One Eligible Position to Another Eligible Position.**

   If an employee is promoted into a position which has a different formula for determining the target incentive pay, the old formula will apply for the completed fiscal months in the former position, and the new formula will apply for completed fiscal months in the new position. Month of transfer shall be credited to the position which is held at the beginning of the fiscal month.

4. **Reclassification.**

   If an employee's current position is reclassified and assigned to a new grade in the Payless Cashways job classification program, the target incentive pay shall be adjusted in accordance with the procedures for a promotion, if assigned to a higher grade or for a demotion, if assigned to a lower grade.

5. **Demotion.**

   If an employee is demoted into a position which has a different formula for determining the target incentive pay, the old formula will apply for the completed fiscal months in the former position and the new formula will apply for completed fiscal months in the new position. Month of transfer shall be credited to the position which is held at the beginning of the fiscal month.

   An eligible participant who is demoted to a position which is not eligible for participation in the plan shall receive a prorated award based on the plan formula, the number of completed fiscal months of service in the eligible position, and the actual wages earned during the eligible period.

INCENTIVE AWARD DETERMINATION ADJUSTMENTS (Cont'd.)

6. **Interrupted Service.**

If an employee's service is interrupted during the plan year, for a period in excess of 90 days due to short or long term disability and/or other approved leaves of absence, he/she shall receive, if earned, an incentive award, which has been prorated based on the plan formula and the number of completed fiscal months of active service during the plan year plus first 90 days of leave.

Award Forfeiture Shall Occur in Accordance with the following guidelines:

7. **Involuntary Termination.**

An employee in the plan who, during the plan year, is involuntarily terminated for such reasons as facility closing or reduction in force, shall be deemed not to have a vested right to an incentive award for the current plan year.

An employee in the plan who, at any time prior to distribution, is involuntarily terminated for performance deficiencies shall be deemed not to have a vested right to an incentive award for the current plan year or the prior plan year.

8. **Termination for Violation of Company Policy.**

An employee in the plan who, at any time prior to distribution, is involuntarily terminated or resigns in lieu of involuntary termination for violation of company policy shall be ineligible for any incentive award for the current plan year or for the prior plan year.

9. **Voluntary Termination.**

An employee in the plan who terminates voluntarily during the plan year shall be deemed not to have a vested right to an incentive award for the current plan year.

DISTRIBUTION OF INCENTIVE AWARD PAYMENTS

Distribution of earned incentive awards shall be made by February 15 following the end of the plan year.

Awards are issued by check and are subject to applicable government withholding taxes. Participant elected benefit deductions, such as MoneyBuilder will be taken from incentive award payments.

PLAN ADMINISTRATION

This plan is established effective the first day of the fiscal year of 1992, December 1, 1991, and continues each fiscal year unless modified or until further notification.

Payless Cashways, Inc. reserves the right to amend the plan. The Compensation Committee of the Board of Directors shall have discretion with respect to the continuance or amendment of the Corporate Management Incentive Compensation Program. Administration of the Incentive Compensation Program shall be under the direction of the Senior Vice President - Human Resources. Questions that may arise relating to the interpretation or administration of the compensation policy shall be resolved by the Senior Vice President - Human Resources.

PAYLESS CASHWAYS, INC.

CORPORATE MANAGEMENT

INCENTIVE AWARD SCHEDULE

Salary Grade	Annual Incentive % of Salary
E8	12
E9	14
E10	16
E11	18
E12	24
E13	30
E14	33
E16	40
E17	40

CORPORATE MANAGEMENT
INCENTIVE COMPENSATION PROGRAM MANUAL

RECEIPT FORM

I certify that I have received a copy of the Payless Cashways, Inc. Corporate Management Incentive Compensation Program Manual.

EMPLOYEE SIGNATURE ______________________________ DATE ________________

Please sign and date the receipt form below and return it to the Personnel Information Center within two weeks. The receipt will be placed in your personnel file.

The Company reserves the right to interpret, amend, modify, cancel, or discontinue at any time any provisions of the described policies and program. Also, language used in this Corporate Management Incentive Compensation Program Manual is not intended to create, nor is it to be construed to constitute, a contract.

- -

CORPORATE MANAGEMENT
INCENTIVE COMPENSATION PROGRAM MANUAL

RECEIPT FORM

I certify that I have received a copy of the Payless Cashways, Inc. Corporate Management Incentive Compensation Program Manual.

PRINT NAME ____________________________________ LOCATION ________________

EMPLOYEE SIGNATURE ______________________________ DATE ________________

This receipt will be placed in your personnel file.

Exhibit 11.1

PAYLESS CASHWAYS, INC. AND SUBSIDIARY

COMPUTATION OF PER SHARE EARNINGS

(In thousands, except per share amounts)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	May 30, 1992	May 25, 1991	May 30, 1992	May 25, 1991
PRIMARY				
Income (loss) before cumulative effect of change in accounting principle	$ 3,509	$ 4,287	$(19,283)	$(21,382)
Deduct: Preferred stock dividends	(1,079)	(996)	(2,135)	(1,973)
Income (loss) before cumulative effect of change in accounting principle available to common shareholders	$ 2,430	$ 3,291	$(21,418)	$(23,355)
Weighted average common and dilutive common equivalent shares outstanding	7,576	7,648	6,571	6,571
Income (loss) per common share before cumulative effect of change in accounting principle	$ .32	$ .43	$ (3.26)	$ (3.55)
Cumulative effect on prior years of change in accounting for postretirement benefits	$ --	$ --	$ (6,902)	$ --
Weighted average common and dilutive common equivalent shares outstanding	7,576	7,648	6,571	6,571
Cumulative effect of change in accounting principle per common share	$ --	$ --	$ (1.05)	$ --
Net income (loss) per common share	$ .32	$ .43	$ (4.31)	$ (3.55)

KPMG Peat Marwick

Certified Public Accountants

1600 Commerce Bank Building
P O Box 13127
Kansas City MO 64199

Exhibit 15.1

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors
Payless Cashways, Inc.:

We have reviewed the condensed consolidated balance sheets of Payless Cashways, Inc. and subsidiary as of May 30, 1992 and May 25, 1991 and the related condensed consolidated statements of operations and cash flows for the twenty-six weeks then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of November 30, 1991 and the related consolidated statements of operations, shareholders' equity and cash flows, and in our report thereon, we expressed an unqualified opinion on those consolidated financial statements.

KPMG Peat Marwick

KPMG Peat Marwick

Kansas City, Missouri
June 15, 1992

KPMG Peat Marwick

Certified Public Accountants

1600 Commerce Bank Building
PO Box 13127
Kansas City MO 64199

Payless Cashways, Inc.
Kansas City, Missouri

Gentlemen:

Registration Statement: No. 33-24368

With respect to the subject Registration Statement, we acknowledge our awareness of the use therein of our review report dated June 15, 1992, related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Securities Act.

KPMG Peat Marwick

KPMG Peat Marwick

Kansas City, Missouri
July 1, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarter Ended
ended December 31, 1991.

Commission file
No. 33-30743

PIERCE INTERNATIONAL DISCOVERY, INC.
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of
incorporation or organization)

84-1121360
(I.R.S. Employer ID.)

12200 E. Briarwood Avenue, Suite 270, Englewood, CO 80112
(Address of principal executive offices) (Zip Code)

Registrants's telephone number, including area code (303)-792-0719

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

Class	Outstanding at December 31, 1991
Common Stock, no par value	47,073,553

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PART I - CONSOLIDATED FINANCIAL INFORMATION *

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*The accompanying financial statements are not covered by an independent certified public accountants' report.

PIERCE INTERNATIONAL DISCOVERY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	December 31, 1991 (Unaudited)	JUNE 30, 1991
CURRENT ASSETS:		
Cash	$9,670	$4,290
Note Receivable (Note 3)	13,706	-
	-----------	----------
	23,370	4,290
PROPERTY AND EQUIPMENT		
Office furniture and equipment	1,758	1,758
Water Sports Equipment (Note 3)	8,000	57,821
	-----------	----------
	9,758	59,579
Less accumulated depreciation and amortization	1,741	16,485
	-----------	----------
	8,017	43,094
OTHER ASSETS	4,075	3,041
	-----------	----------
	$35,470	$50,425
	===========	==========

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1991 (Unaudited)	JUNE 30, 1991
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$24,132	$28,608
Advances from officers/directors/stockholders (Notes 4, 6 & 7)	27,500	88,391
Notes Payable (Note 5)	20,000	20,000
Accounts Payable Related Party (Note 6)	51,000	90,657
Accrued Interest Payable	5,527	6,548
	-----------	----------
Total current liabilities	128,160	232,204
STOCKHOLDERS' EQUITY: (Notes 4, 6, & 7)		
Preferred stock, no par value: 10,000,000 shares authorized, no shares issued		
Common stock, no par value; 750,000,000 shares authorized; 47,073,553 shares issued and outstanding	494,577	331,213
Accumulated deficit	(587,275)	(512,992)
	-----------	----------
Total	$35,470	$50,425
	===========	==========

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PIERCE INTERNATIONAL DISCOVERY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	(UNAUDITED) FOR THE THREE MONTHS ENDED DECEMBER 31, 1991	FOR THE THREE MONTHS ENDED DECEMBER 31, 1990	(UNAUDITED) YEAR TO DATE DECEMBER 31, 1991	YEAR TO DATE DECEMBER 31, 1990
REVENUE:				
Commissions and fees	$1,698	$3,019	$4,013	$3,507
	-----------	-----------	-----------	-----------
	1,698	3,019	4,013	3,507
EXPENSES:				
Labor, taxes & benefits	5,794	6,997	18,867	16,686
General & administrative	4,882	9,222	10,895	26,609
Advertising & public relations	45	11,733	93	38,886
Legal & outside services	12,883	5,464	32,485	22,128
Lease & rental expense	-	33	435	33
Loss on equipment sale	-	-	10,773	-
Depreciation & amortization	1,079	3,130	3,035	6,808
Interest expense	674	1,389	1,713	2,174
	-----------	-----------	-----------	-----------
Total expenses	25,357	37,968	78,296	113,324
	-----------	-----------	-----------	-----------
NET LOSS	($23,659)	($34,949)	($74,283)	($109,817)
	===========	===========	===========	===========
NET LOSS PER COMMON SHARE	($0.001)	($0.001)	($0.002)	($0.004)
	===========	===========	===========	===========
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	47,073,553	28,250,000	45,095,803	28,250,000
	===========	===========	===========	===========

[illegible] INTERNATIONAL [illegible], INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM JUNE 30, 1989
TO DECEMBER 31, 1991
(UNAUDITED)

	COMMON STOCK		ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT		
Balance, June 30, 1989	28,250,000	$43,375	($7,083)	$36,292
Net loss for the year	-	-	(214,253)	(214,253)
Balance, June 30, 1990	28,250,000	$43,375	($221,336)	($177,961)
Proceeds from public offering ($.05 per share), net of offering costs of $36,916	4,117,120	168,940	-	168,940
Sale of common stock to Officer and Director ($.03 per share)	3,963,333	118,900	-	118,900
Net loss for the year	-	-	(291,650)	(291,650)
Balance, June 30, 1991	36,330,453	331,215	(512,986)	(181,771)
Issuance of common stock as compensation ($.01 per share)	230,000	2,300	-	2,300
Issuance of common stock as compensation to Officers/Director	1,600,000	-	-	-
Conversion of debt to equity by Officer/Director ($.0284 per share)	2,333,333	66,301	-	66,301
Sale of common stock to Officer and Director ($.03 per share)	1,448,167	43,445	-	43,445
Sale of common stock to Officer and Director ($.01 per share)	1,174,500	11,745	-	11,745
Net loss for the period	-	-	(50,630)	(50,630)
BALANCES, September 30, 1991	43,116,453	$455,006	($563,616)	($108,610)
Sale of common stock to Officer and Director ($.01 per share)	1,910,600	19,106	-	19,106
Conversion of debt to equity by Officer/Director ($.01 per share)	2,030,500	20,305	-	20,305
Net loss for the period	-	-	(23,659)	(23,659)
BALANCES, December 31, 1991	47,057,553	$494,417	($587,275)	($92,858)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PIERCE INTERNATIONAL DISCOVERY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

	FOR THE SIX MONTHS ENDED DECEMBER 31, 1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	($74,283)	($109,817)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,303	6,276
Amortization of Organizational Costs	533	533
Increase in note receivable	(13,700)	-
Bank overdraft	-	0
Decrease in accounts receivable	-	154
Deposits	(1,566)	-
Increase in accounts payable	(4,476)	11,292
Increase (Decrease) in accounts payable to related parties	(39,657)	89,652
Loss on equipment sale	10,773	-
Increase in accrued interest payable	979	1,803
Net cash used in operating activities	(118,094)	(108)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from property and equipment sale	21,000	-
Net cash used in investing activities	21,000	0
CASH FLOW FROM FINANCING ACTIVITY:		
Receipts/Payments to officers/directors/stockholders	(60,882)	(33,951)
Proceeds from issuance of common stock	163,364	168,938
Proceeds from note payable	-	19,750
Deferred offering costs netted against proceeds	-	15,117
Net cash provided by financing activities	102,482	169,854
NET INCREASE IN CASH	5,388	169,746
CASH, beginning of the period	4,290	14,801
Cash, end of period	$9,678	$184,547

PIERCE INTERNATIONAL DISCOVERY, INC. AND SUBSIDIARIES
(UNAUDITED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1991

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operations - Pierce International Discovery, Inc. (PIDI) was incorporated in Colorado on April 19, 1989. PIDI is a 42.81% owned subsidiary of Pierce International, Inc. (PI) which is a publicly held entity. PIDI and PI have common officers and directors. During 1989 PIDI formed a wholly-owned subsidiary, International Diving and Water Sports, Ltd. (IDWL), which operated in the Turks and Caicos Islands. Celebrity Expeditions, Inc. (CEI) and Underwater Diver's International, Inc. (UDI) are also wholly owned subsidiaries. CEI is the only operating entity. All the above will be collectively referred to as the Company. The Company intends to continue to develop its travel services related to the diving industry, as well as, provide full service travel expertise to corporations and individuals.

Principles of Consolidation - The consolidated financial statements include the accounts of PIDI, CEI, UDI, and IDWL. All significant intercompany accounts and transactions have been eliminated.

Net Loss Per Common Share - Net loss per common share is computed based upon the weighted average number of shares outstanding during the period.

Continuing Operations - The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of operations and realization of assets and satisfaction of liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the Company raising additional capital, and attaining and maintaining profitable operations. The Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern.

These interim financial statements should be read in conjunction with the Company's annual report and report on Form 10-K for the year ended June 30, 1991.

2. UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary to reflect properly the results of the interim periods presented. Results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

3. NOTE RECEIVABLE:

Note receivable was accepted as balance of payment for the sale of the equipment in the Turks & Caicos. The note consists of 10 monthly installments of $800 and a balloon of $7,000 due in July of 1992.

4. STOCKHOLDERS' EQUITY:

In April and May 1989 the Company sold 26,750,000 shares of its common stock at $.0005 per share to PI and to its officers, directors, and certain individuals.

In May and June 1989 the Company sold 1,500,000 Units at $.02 per Unit to individuals in a private placement offering. Each Class A warrant entitles the holder to purchase one share of common stock at $.10 per share during a two-year period commencing on the date of the prospectus (April 11, 1990). The Company has the right to redeem the Class A warrants upon 30 days written notice at $.00001 per warrant, beginning three months from the date of the prospectus.

On December 28, 1990 the Company closed its public offering with net proceeds of $184,806. The number of units was 20,856, which includes 4,117,120 of the Company's no par value common stock. In addition the units included 1,029,280 B warrants exercisable at $.20 for two years from the date of the prospectus (April 11, 1990).

During the year ended June 30, 1991 the Company issued 3,963,333 common shares for $118,900 ($.03 per share) to an officer and director, Pierce D. Parker. During the quarter ended September 30, 1991, the Company issued to officers and directors, 1,448,167 and 1,174,500 common shares for $43,445 and $11,745 respectively. During the quarter ended December 31, 1991, 1,918,600 and 2,038,500 commons shares were issued for $19,186 and $20,385 (debt conversion) respectively. The funds were required for operations.

In addition, the company issued 1,830,000 common shares as compensation during the quarter ended September 30, 1991. Mark S. Cooper converted $66,303 of advances into 2,333,333 common shares.

The preferred stock may be issued by the Board of Directors in one or more series. The Board shall determine the distinguishing features of each, including preferences, rights and restrictions, upon the establishment of such series.

5. NOTE PAYABLE:

The Company borrowed $30,000 from Richard F. Cooper, Jr., a shareholder, on October 27, 1989. On March 12, 1990 the Company reduced the principal by $10,000. The note carries a 12% interest rate and is currently past due under the original terms. Mr. Cooper is a relative of Mark S. Cooper and is not expected to demand payment in the immediate future.

PIERCE INTERNATIONAL DISCOVERY, INC. AND SUBSIDIARIES
(UNAUDITED)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1991

6. RELATED PARTY TRANSACTIONS:

As of June 30, 1991, $18,000 had been accrued as management fees payable to PI. The fee covered office space, administrative, accounting, and management services. Total due PI at December 31, 1991 was $51,000.

In December of 1990, Pierce D. Parker, IRA purchased 800,000 shares in the Company's public offering.

Parker Consulting Profit Sharing Plan (Pierce D. Parker's S-Corporation)
provided $43,445 by purchasing common stock for $.03 per share.

Mark S. Cooper provided $30,931 by purchasing common stock for $.01 per share.

The following shares were issued as compensation:

Mark S. Cooper	1,000,000
Nancy A. Cooper	400,000
Vicki D.E. Barone	200,000

Mr. Cooper also converted $66,303 of advances to equity totaling 2,333,333 common shares.

Dr. Pierce D. Parker converted $20,385 of advances to equity totaling 2,038,500 common shares.

Mark S. Cooper has accrued fees of $27,000. He earns $3,000 per month which began in April, 1991.

7. SUBSEQUENT EVENTS:

Mark S. Cooper purchased 384,100 common shares at $.01 per share for total contributed capital of $3,841.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarter Ended December 31, 1991.

Introduction

The quarter ended December 31, 1991, was one of continued commitment to following the Company's business plan. The Company closed its public offering in December 1990 with net proceeds of $184,305 and proceeded with full operations of its three entities, International Diving & Water Sports LTD.(IDWL), Underwater Divers International, Inc.(UDI), and Celebrity Expeditions, Inc.(CEI). During the quarter ended September 30 1991, the Company ceased operations of IDWL and has sold a majority of the equipment located in the Turks & Caicos. The Company has discontinued operations of UDI. The Company will again commence operation of UDI, if funds are available. The travel card holders are being serviced by CEI.

Liquidity

The Company is insolvent. Working capital was a negative $104,790 at the quarter ended December 31, 1991. The Company continues to receive funds from officers and directors. Mr. Mark S. Cooper contributed $19,186 to the Company and Dr. Pierce D. Parker converted $20,385 of past advances to equity during the quarter ended December 31, 1991. Mr. Cooper has continued to support the Company since the quarter-ended December 31, 1991, with contributed capital (cash) of $3,841. Mr. Cooper earns $3,000 per month which began April 1, 1991. His fee was accrued with the balance being $27,000 at quarter end.

The Company needs to establish regular operating income. Currently, it is severely dependent upon two of its officers and directors for operating capital. There is no certainty how long they can, or will support the Company.

Results of Operations

During the second quarter-ended December 31, 1991 the Company suffered a net loss of $23,659. The year to date loss is $74,823. The previous year's second quarter loss was $34,949 and year to date was a loss of $109,817. Only $1,698 was generated in revenue for the second quarter-ended December 31, 1991. Labor expenses were $5,794 and outside consulting services were $12,883 (includes Mr. Cooper's fee).

The quarter was a severe disappointment for management due to lack of cash flow from any of its investments. Since the year end, the Company is concentrating its efforts on CEI. If CEI is unable to generate cash flow and eventually achieve profitable operations, or the Company is unable to locate and obtain alternative financing, the Company's ability to continue as a going concern is highly unlikely.

PART II - OTHER INFORMATION

ITEMS #1 THROUGH #6 (a) - No response required.

ITEM 6 (b) - No reports were filed on the Form 8-K during the quarter ended December 31, 19[illegible].

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIERCE INTERNATIONAL DISCOVERY, INC.

Dated: February 25, 1992

BY: /s/Pierce D. Parker
Pierce D. Parker,
President

BY: /s/ Vicki D.E. Barone
Vicki D.E. Barone,
Treasurer (Chief Financial and Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ending February 29, 1992

Commission File Number ~~#33-17000-NY~~ [illegible]

PNF INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3421355
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

21 Industrial Avenue, Upper Saddle River, New Jersey 07458
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (201) 818-1855

Indicate by check mark whether the registration (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

3,480,992 shares of common stock $.0001 par value.

500,000 shares of Class A Convertible Preferred Stock $0.01 par value.

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Part I. Financial Information

Quarter Ended February 29, 1992

GENERAL

The following financial information is submitted in response to the requirements of Form 10-Q and does not purport to be financial statements prepared in accordance with generally accepted accounting principles. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes the disclosures that are made are adequate to make the information presented not misleading. Further, in the opinion of the management, the interim financial statements reflect fairly the financial position and results of operations for the period indicated.

It is suggested that these interim consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1991 Annual Report on Form 10-K for the year ended August 31, 1991, filed with the Securities and Exchange Commission.

The results of operations for the quarter ended February 29, 1992 are not necessarily indicative of results to be expected for the entire fiscal year ending August 31, 1992.

Item 1. Financial Statements

The balance sheet of PNF Industries, Inc. (the Company) as of February 29, 1992, and the related statement of income and changes in financial position and notes thereto are incorporated herein by reference to pages 8 to 26 of the Company's quarterly report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Company was organized on July 13, 1987 for the purpose of acquiring or merging with a business. On February 27, 1990, the Company acquired all the issued and outstanding shares of Portafone Cellular Communications, Inc. ("Portafone") in a transaction accounted for as a reverse merger. The results of operations are those of Portafone prior to the acquisition and the combined entity subsequent to the acquisition. On August 6, 1991, the Company acquired 89% of the issued and outstanding shares of No Fire Ceramic Products, Inc. and No Fire Engineering, Inc. ("No Fire"). The results of operations include No Fire's results from the date of acquisition.

Consolidated Financial Statement as of February 29, 1992

Revenues for the quarter ended February 29, 1992 were $221,214 with a net loss of $503,574. Revenues for the quarter ended February 28, 1991 were $221,214 with a net loss of $503,574. Revenues for six months ended February 29, 1992 were $461,898, with a net loss of $1,078,155. Revenues for the six months ended February 28, 1991 were $413,147 with a net loss of $160,184. The increase in loss was in part attributable to the giving effect to certain adjustments, including amortization of patent costs in the amount of $1,049,131 in each year of which approximately $99,084 is amortized monthly. In addition, the net loss for 1991 includes a litigation settlement by No Fire incurred prior to PNF's acquisition of No Fire in the amount of $500,000.

Selling, general and administrative expenses for the quarter ended February 29, 1992 were $231,736 compared to $94,298 in 1991. The increase is due primarily to an increase in commissions on new telephone lines and time sold, additional employees, increased professional fees and bad debt expense. Expenses incurred by virtue of the No Fire acquisition also caused a significant increase in general and administrative expenses for the reporting period. No Fire is in the developmental stage and has yet to profitably produce and ship product in quantity.

Depreciation and amortization expenses in the quarter ending February 29, 1992 were $309,173 compared with $6,930 in 1991. The increases were wholly attributable to the amortization of patent costs included in the acquisition of No Fire.

Liquidity and Capital Resources

As of February 29, 1992 the Company had a working-capital deficiency of $165,268, compared to $538,213 at August 31, 1991. In 1991 the decrease in the working-capital deficiency was caused by the receipt of $570,017 from the exercise of Redeemable Stock Purchase Warrants, and the private sale of restricted shares to certain of the Company's licensees.

At February 29, 1992 the Company had loss from operations of $107,155 and for the year ending August 31, 1991, the Company had cumulative losses of $1,874,279 and management of the Company is of the opinion that in the short term, the Company will continue to show losses from operations. As described in the notes to the Financial Statements, there is concern about the Company's ability to continue as a going concern. In addition to the losses from operations, certain liabilities were incurred as a result of the acquisition of No Fire. The Company guaranteed notes payable of $500,000, which resulted from a settlement with a former licensee of No Fire. In addition, No Fire has an obligation of $1,016,970 to entities owned by Mr. Otis Hastings, Chairman of the Company. The obligations were incurred by No Fire prior to its acquisition by the Company and included costs for research and development of the No Fire products and filing of patents.

The Company's ability to continue as a going concern is dependent on its ability to raise additional working capital by the infusion of additional equity and to operate profitably.

The available sources of equity financing are as follows: during the six months ended February 29, 1992 217,000 Redeemable Common Stock Purchase Warrants were exercised for which the Company received $661,622 in cash and notes in the amount $640,378.

The Company called for the exercise of all of the then outstanding warrants in February 1992 and by March 27, 1992 the Company received $259,000 cash from the exercise of the remaining warrants. The Underwriter has 3,110 warrants to purchase 3,110 shares of common stock at $6.50 per share. One of the Company's licensees acquired 2,500 shares of common stock at $6.00 per share, subject to the transfer and sale restrictions under Rule 144. This licensee is further obliged to purchase an additional 112,500 restricted shares at $6.00 per share and for which it executed and delivered its promissory note in the amount of $675,000.

A second licensee acquired 5,000 shares in March 1992 at $6.00 per share, subject to the transfer and sale restrictions under Rule 144. This licensee is further obliged to purchase an additional 445,000 restricted shares at $6.00 per share and for which it is expected to execute and deliver its promissory note in the amount of $2,670,000.

During the period September 1, 1991 through February 29, 1992, warrants were exercised for the issuance of 217,000 shares of common stock at $6.00 per share. Since February 1992, an additional 59,833 warrants have also been exercised at $6.00 per share.

On October 10, 1991, the Company's Board of Directors authorized the issuance of 33,333 shares of common stock and issued 500,000 common stock purchase warrants which are exercisable into 500,000 shares of common stock at $6.00 per share to Mr. Alfred P. Avasso in consideration for his forgiveness of $200,000 in debt.

There are also outstanding 500,000 shares of Class A Convertible Preferred Stock convertible into 5,000,000 shares of common stock at $.05 per share. A preferred shareholder has offered to return his certificate for 5,000 shares and it is expected that the Company will retire same.

On December 9, 1991, No Fire signed its first license agreement to utilize the products which have been developed. Among other things the license agreement require the licensee to purchase 115,000 restricted shares of common stock at $6.00 per share which must be fully paid within a twenty-four month period. In addition to the license agreement already signed, there are several signed letters of intent regarding potential licensing agreements that, when executed, will equire the licensee to purchase shares of restricted stock at a minimum price of $6.00 per share. There can be no guarantee that these licensing agreements will be finalized or in the event that such agreements are finalized that the required stock purchases thereunder will be consummated. Nor is there any guarantee that any of the presently issued and outstanding warrants and/or preferred stock will be exercised. Management believes in the event the Company is not able to raise equity capital in the short term, the Company would be required to significantly curtail its operations in order to continue as a going concern. See Note 14 to the Financial Statements included herein.

Inflation

The rate of inflation has had little impact on the Company's results of operations and is expected to not have a significant impact on continuing operations.

Part II. Other Information

Item 1. Legal Proceedings

On or about September 20, 1991, Dalessio, Thierman & Leben commenced an action in New York County Supreme Court against the Company and the Company's principal shareholder individually. The plaintiff's are the Company's former internal auditors and claim the sum of $43,670.00, plus $50,000.00 punitive damages, against the named defendants. An answer and counterclaim has been filed where the defendants allege acts of professional malpractice and seek damages in the amount of $500,000.00. It is management's opinion that its former accountants were grossly incompetent and that the counterclaim is meritorious.

On or about November 27, 1991, Sidney Kaplan, C.P.A. commenced an action in the Palm Beach County Court for the State of Florida against the Company. The plaintiff, a former external auditor of the Company, seeks damages in the amount of $7,000 plus interest thereon for an alleged failure of the Company to pay a promissory note in such amount due in full on October 22, 1991. The Company has filed its Answer and Counterclaim wherein it alleges specific acts of professional incompetency and malpractice, expects the Complaint to fail and the Counterclaim to prevail.

On February 26, 1992 the Company entered into a Settlement Agreement (the "Agreement") with the law firm of Lester & Weisinger (L&W) who filed a complaint in the Superior Court of New Jersey alleging, among other things, a Company indebtedness of $201,433.

The indebtedness allegedly arose prior to the Company's August 6, 1991 acquisition of No Fire where Otis H. Hastings and companies controlled by him, including the No Fire subsidiaries, borrowed funds and also utilized L&W professional services. The Agreement provides for the repayment of notes aggregating $25,000 in installments through May 1992; payment of an additional $50,000 at the rate of $5,000 per month commencing June 1992; and the issuance of 50,000 warrants to purchase 50,000 shares of common stock at an exercise price of $6.00 per share. The warrants are exercisable at any time after February 26, 1993 up to May 26, 1993 (the "Window Period"). Payment of the notes is guaranteed by Alfred P. Avasso. During the Window Period L&W may "put" all of the warrants to the Company or Mr. Avasso who is/are then obliged to pay L&W the sum of $100,000. During the Window Period the Company and/or Mr. Avasso has the right to "call" the warrants at a price of $2.50 per warrant or a total consideration of $125,000.

An action captioned *Datronics Inc. v. No Fire Engineering, Inc., a/k/a No Fire Inc.* was filed against the Company in New York Supreme Court, County of Suffolk, for consulting services performed on behalf of No Fire. The action was settled for $1,200.00. Such amount has been accrued as an expense in the financial statements of the Company.

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits - None

B. Reports on Form 8-K during the quarter ending February 29, 1992 - None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PNF INDUSTRIES, INC.

James Neville

JAMES NEVILLE
Executive Vice President and Director
Secretary

Dated this 24th day of April, 1992

PNF INDUSTRIES INC. & SUBSIDIARIES
(Formerly Portafone International Cellular Communications Inc)
CONSOLIDATED BALANCE SHEET

	February 29, 1992 (unaudited)	August 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$240036	$ 18939
Accounts Receivable - net of allowance for doubtful accounts of $41100 and $73106 respectively	236568	271625
Inventory	21450	14450
Notes receivable - Stock	300000	-
Prepaid and Other Current Assets	144522	9197
Total Current Assets	942576	314211
PROPERTY AND EQUIPMENT - Net	48208	49795
OTHER ASSETS:		
Security Deposits	34667	34667
Intangible Assets - Net	17586580	18198038
Other Assets	-	3207
Total Other Assets	17621247	18235912
TOTAL ASSETS	$18612031	$18599918

See Notes to Consolidated Financial Statements

PNF INDUSTRIES INC & SUBSIDIARIES
(Formerly Portafone International Cellular Communications Inc)
CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 29, 1992 (unaudited)	August 31, 1991
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 685028	$448289
Current Maturities of long term debt	115000	125000
Current Maturities of Notes Payable - Stockholders	36422	45704
Payroll and other taxes payable	247704	208774
Income Taxes	23690	24657
Total Current Liabilities	1107844	852424
Other Liabilities		
Long Term Debt - Net of current portion	350000	400000
Due to related parties	1016970	1016970
Security deposits payable	10110	4561
Notes Payable - shareholder Less Current Maturities		200000
	1377080	1621531
TOTAL OTHER LIABILITIES	$2480549	$2473955
	=======	=======

PNF INDUSTRIES INC & SUBSIDIARIES
(Formerly Portafone International Cellular Communications Inc)
CONSOLIDATED BALANCE SHEET

	February 29, 1992 (unaudited)	August 31, 1991
STOCKHOLDERS' EQUITY		
Class A Convertible preferred stock, par value $.01 authorized 500,000 shares, issued and outstanding 500,000 and 405,000 in 1992 & 1991 respectively	5000	4050
Class B Preferred Stock, par value $.01 authorized 500,000 shares, none issued	-	
Common Stock, par value $.0001 authorized 100,000,000 shares, issued and outstanding 3,480,992 and 3,115,659 shares in 1992 and 1991 respectively	348	311
Additional Paid in Capital	20089571	17995881
Less: Notes Receivable	(1015378)	
Retained Earnings (Deficit)	(3050884)	(1874279)
	16131482	16125963
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$18612031	$18599918
	========	========

See Notes to Consolidated Financial Statements

PNF Industries Inc. And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Operations
For Six Months Ended February 29, 1992
And February 28, 1991

(Unaudited)

	1992	1991
Revenues		
Telephone Services	$415945	$349207
Equipment Sales	28713	63940
Other Revenues	17240	-
Total Revenues	461898	413147
Cost of Goods Sold	360516	387178
Gross Profit	101382	25969
Operating Expenses:		
Selling, General and Administrative	539507	172293
Depreciation and Amortization	618141	13860
Total Operating	1157648	186153
Loss from Operations	(1056266)	(160184)
Other Expenses:		
Interest Expense	(21889)	-
Net Loss	($1078155)	($160184)
Net Loss per share	($0.34)	($0.80)
Weighted Average number of shares outstanding	3209270	201000

See Notes to Consolidated Financial Statements

PNF Industries Inc. And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statements of Operation
For Three Months Ended February 29, 1992
And February 28, 1991

(Unaudited)

	1992	1991
Total Revenues	$221214	$212395
Cost of Goods Sold	175032	202199
Gross Profit	46182	10196
Operating & Expenses:		
Selling, General and Administrative	231736	94298
Depreciation and Amortization	309173	6930
Total Operating Expenses	540909	101228
Loss from Operations	(494727)	(91032)
Other Expenses		
Interest Expense	(8847)	-
Net Loss	($503574)	($91032)
Net Loss Per Share	($0.16)	($ 0.45)
Weighted Average number of shares	3209270	201000

See Notes to Consolidated Financial Statements

PNF Industries Inc. and Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Six Months Ended February 29, 1992 and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Operating Activities		
Net Loss	($1078155)	($160134)
Adjustments to reconcile Net Loss to Net Cash Flows From Operating Activities:		
Depreciation and Amortization	613141	13960
Changes in operating Assets and Liabilities		
Accounts Receivable	35057	(93753)
Inventory	(7000)	-
Prepaid Expenses and Other Current Assets	(135850)	2261
Other Assets	3732	
Accounts Payable and Accrued Expenses	236739	133263
Payroll and Other Taxes Payable	38930	94104
Income Taxes Payable	(967)	1300
Net Cash Flow from Operating Activities	(289373)	(9164)
Cash Flows from Investing Activities		
Acquisition of Property and Equipment	(5096)	-
Security Deposits Payable	5549	-
Net Cash Flow from Investing Activities	5453	-

See Notes to Consolidated Financial Statements

PNF Industries Inc. And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Six Months Ended February 29, 1992 and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Financing Activities		
Proceeds from Notes Payable - Stock holder		$16550
Payment of Long Term Debt	(60000)	-
Net Proceeds from issuance of common stock	570017	-
Net Cash Flows from Investing Activities	510017	16550
Net Increase (Decrease) in Cash and Cash Equivalent	221097	7386
Cash and Cash Equivalent - Beginning of Period	18939	9303
Cash and Cash Equivalent End of Period	$ 240036	$16689

Supplemental Disclosure of Cash Flow Information

Cash Paid during the period for Interest	$ 21889

Supplemental Disclosure of Non Cash Financial Activities

During the period, the Company issued 95000 shares of Class A Convertible Preferred Stock for services rendered to the Company which has been valued at $95000 and deducted from paid in Capital.

During this period, the Company issued 210,313 shares of common stock at $6.00 per share and received notes in the amount of $1,261,878. In addition the Company issued 33,333 shares of common stock at $6.00 per share in consideration for forgiveness of Debt by a shareholder.

See Notes to Consolidated Financial Statements

PNF Industries Inc and Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Three Months Ended February 29, 1992 and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Operating Activities		
Net Loss	($503574)	($91032)
Adjustments to reconcile Net Loss to Net Cash Flows from Operating Activities		
Depreciation and Amortization	309173	6330
Changes in Operating Assets and Liabilities		
Accounts Receivable	45481	(25326)
Inventory	(7000)	-
Prepaid Expenses and Other Current Assets	(139790)	-
Other Assets	3732	200
Accounts Payable and Accrued Expenses	89685	70104
Payroll and other taxes payable	8865	43357
Income Taxes Payable	(957)	-
Net Cash Flow from Operating Activities	(194395)	59233
Cash Flows from Investing Activities		
Acquisition of Property and Equipment	(426)	(201)
Security Deposits Payable	5549	-
Net Cash Flow from Investing Activities	$ 5123	($ 201)
	=====	===

See Notes to Consolidated Financial Statements

PNF Industries Inc And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Three Months ended February 29, 1992
and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Financing Activities		
Payment of Long-term Debt	(60000)	-
Proceeds from Issuance of Common Stock	446840	
Net Cash Flows from Financing Activities	386840	
Net Increase (Decrease) in Cash and Cash Equivalent	197568	9032
Cash and Cash Equivalent Beginning of Period	42468	7657
Cash and Cash Equivalents End of Period	$ 240036	$16689

Supplement Disclosure of Cash Flow Information

Cash Paid during the year for Interest	$ 8847

Supplemental Disclosure of Non Cash Financial Activities

During the Period, the Company issued 95000 shares of Class A Convertible Preferred Stock for services rendered to the Company which has been valued at $95000 and deducted from paid in Capital.

During this period, the Company issued 210,313 shares of common stock at $6.00 per share and received notes in the amounts of $1,261,878.

See Notes to Consolidated Financial Statements

PNF Industries, Inc. And Subsidiaries Inc
(Formerly Portafone International Cellular Communications
Notes to Consolidated Financial Statements
As of February 29, 1992

Note 1 - Basis of Presentation and Acquisitions:

PNF Industries, Inc. ("PNF"), formerly known as Portafone International Cellular Communications, Inc. ("PICC"), and prior to that, NFW Capital Group, Inc. ("NFW"), was organized under the laws of the State of Delaware on July 13, 1987.

On February 27, 1990 PNF acquired all of the outstanding common stock of Portafone Communications, Inc. ("Portafone"), and its wholly owned subsidiary Unicell Corporation ("Unicell"). Portafone was incorporated on May 13, 1987 under the laws of the State of New York and is engaged in the business of selling, installing, renting and operating cellular telephones. Unicell is licensed to act as a reseller of cellular services in New York and Massachusetts.

On the effective date of the acquisition, PNF issued 3,921,084 shares of common stock to the former shareholders of Portafone in exchange for all of the shares of common stock of Portafone.

For financial reporting purposes, the acquisition of Portafone has been treated as a recapitalization of Portafone with Portafone being treated as the acquirer of PNF (reverse merger) under the purchase method of accounting for business combinations. Accordingly, the company's historical financial statements represent the results of Portafone for all periods presented and the combined results and financial position of PNF and Portafone from the effective date of the acquisition and thereafter. The cost of the acquisition was based on the fair market value of PNF's net assets on the date of acquisition.

On August 6, 1991, PNF acquired 89% of the outstanding common stock of both No Fire Ceramic Products, Inc. and No Fire Engineering, Inc. (collectively "No Fire"). No Fire is the owner and exclusive holder of certain patents regarding fire retardant products.

On the effective date of this acquisition, PNF issued 2,790,559 shares of common stock to the shareholders of No Fire, Inc. in exchange for 89% of their common stock.

For financial reporting purposes, the acquisition of No Fire has been accounted for by the purchase method of accounting for business combinations, and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The operating results of No Fire are included in the Company's consolidated results of operations from the date of acquisition.

Note 2 - Summary of Significant Accounting Policies:

References herein to the "Company", unless otherwise indicated, are to the combined entity, consisting of PNF Industries, Inc., Portafone Communications, Inc., Unicell Corporation, No Fire Ceramic Products, Inc., and No Fire Engineering, Inc., which resulted from the mergers. References to PNF or No Fire relate to such entities prior to the August 6, 1991 merger.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents -The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - The Company has provided an allowance for doubtful account, and shows accounts receivable at its net present value.

Inventory - Inventory consists of cellular telephones and is stated at the lower of cost or market value determined by the first-in, first-out method.

Property and Equipment - Property and equipment, at cost, is being depreciated over the estimated useful lives of the assets ranging from five to seven years using the straight line method.

Intangible Assets - Intangible assets consist of patents and organization costs which are stated at cost. Amortization is provided on the straight-line method over five years for organization costs and seventeen years for patents.

Revenue Recognition - The sale of cellular telephone equipment is recognized when the equipment has been installed and deemed operational. Telephone services include subscriber fees and cellular telephone usage billed on a monthly basis.

Net Loss Per Share - Net loss per share is based on the weighted average number of shares outstanding during the year. When losses are incurred, warrants and convertible securities are not included since the effect would dilute loss per share. Weighted average number of shares outstanding have been adjusted for 50 for 1 reverse stock split on January 25, 1991.

Anticipated Effect of Recently Issued Statements of Financial Accounting Standards - The Company does not expect the effect of recently issued financial accounting standards, when adopted, to have a material impact on its financial position and results of operations.

Note 3 - During the period ended February 29, 1992 the Company issued 115,000 shares of restricted stock at $6.00 per share to a customer pursuant to a licence agreement. As of February 29, 1992 2500 shares have been fully paid for and the balance due of $675,000 is evidenced by a promissory note which will accrue interest upon the Company commencing the shipping of merchandise.

In addition 97,813 warrants have been exercised at $6.00 per share and the common stock has been issued. The Company has received notes for $586,878 due upon the exercise of these warrants. At February 29, 1992 the Company had notes receivable of $1,261,878 for which stock has been issued. Of this total $300,000 of the notes were paid in March 1992 and has been recorded as a current asset. The balance of $961,878 has been recorded as a reduction of stockholders equity.

Note 4 - Property and Equipment:

Property and equipment at February 29, 1992 and February 28, 1991 consists of the following:

	1992	1991
Equipment	$38666	$87723
Furniture and Fixtures	42958	32778
Less: Accumulated		
Depreciation	81624	120501
Property and Equipment	33416	34400
Net	$48208	$86101
	=====	=====

Depreciation expense for the periods ended February 29, 1992 and February 28, 1991 are $6282 and $13860 respectively.

Note 5 - Intangible Assets:

Intangible assets at February 29, 1992

Patent Costs	$18298004
Organization Costs	4154
	18302158
Less: Accumulated	
Amortization	715578
Intangible Assets -Net	$17586580
	========

Amortization expense for the 6 months ended February 29, 1992 is $611859.

Patent costs of $18,298,004 represents the fair value of patents acquired as a result of the acquisition of No Fire on August 6, 1991. The fair value of the patents was determined by an independent appraisal.

Note 6 - Long-term Debt:

Long-term debt consists of the following:

	February 29, 1992
Note Payable - Greyhound Electronics, Inc. - payable in ten semi-annual installments of $50,000., plus interest at the prime rate, commencing on Feb 1, 1992 with the final installment due August 1, 1996.	$450,000
Note payable - monies advanced to No Fire companies - payable on demand	15,000
Total	465,000
Less: Current	115,000
Total Long-term	$350,000
	=======

Maturities of long-term debt are as follows:

Year Ended August 31	
1992	$ 65,000
1993	100,000
1994	100,000
1995	100,000
1996	100,000
Total	$465,000
	=======

Note 7 - Notes Payable - Stockholders:

Notes Payable - stockholders at February 29, 1992.

Note Payable - Ms Stephanie Cook - due on demand with interest at Chase Manhattan Bank's prime rate plus 1-1/2%	$ 8000
Notes Payable - Mr Otis Hastings - due on demand without interest	28422

Total	36422
Less: Current	36422
Total Long-term	-0-
	=====

Interest expense for the periods ended February 29, 1992 and February 28, 1991 on notes payable - stockholders was $21,889 and $-0- respectively.

Note 8 - Payroll and Other Taxes Payable:

The Companies are delinquent in the filing and payment of payroll, sales and excise taxes. Included in the liability on the financial statements are penalties and interest accrued on these taxes through February 29, 1992.

Note 9 - Income Tax Payable:

The Companies have incurred losses since inception and have net operating loss carryforwards for both Federal and State income tax purposes of approximately $4,100,000 which expire principally in the years 2003 through 2007.

The Companies are subject to minimum state and local franchise taxes and Portafone is subject to a state franchise tax based on gross receipts.

The Companies are delinquent in filing and payment of Federal, State and local income taxes and gross receipts taxes. Included in the liability on the financial statements are penalties and interest accrued on these taxes through February 29, 1991. Payments are being currently made against the existing liabilities.

Note 10 - Due to Related Parties:

Prior to the Company's acquisition of No Fire, various companies owned by Mr. Otis Hastings, Chairman of the Company, made advances to and paid expenses for the benefit of No Fire. These entities will be repaid from the proceeds generated by the sale of No Fire products. The amount due to related parties is not expected to be repaid within the next twelve months and no interest is being charged.

Note 11 - Stockholders' Equity:

On January 17, 1990, PNF in its initial public offering, sold 2,449,860 units at $.10 per unit. Each unit consisted of one share of common stock and ten series A Redeemable Common Stock Purchase Warrants which expire August 14, 1993. Each warrant entitles the holder to purchase one share of common stock at a price of $.12 per share. The warrants are callable by the Company on thirty days written notice at a price of $.0001 per warrant.

In addition, PNF issued warrants to its underwriters to purchase 155,500 shares of its common stock. These underwriter warrants are exercisable at $.13 per share commencing one year from the effective date of the offering and for a period of four years thereafter, expiring on January 19, 1995.

On February 27, 1990, PNF acquired all of the outstanding common stock of Portafone and its wholly owned subsidiary, Unicell and issued 3,921,084 shares of its common stock to the stockholders of Portafone in exchange for all of the shares of common stock of Portafone. In addition, PNF issued 378,056 shares of its common stock to one of the principal stockholders of PNF as compensation for effectuating the merger.

On January 25, 1991, the Board of Directors of PNF approved a reverse split of its common stock on a fifty for one basis. All share and warrant amounts in the financial statements have been adjusted to reflect this reverse split.

On January 25, 1991 the Board of Directors of PNF also approved an amendment to the Company's certificate of incorporation which authorized the creation of 500,000 shares of Class A Convertible Preferred Stock, par value $.01 and 500,000 shares of Class B Preferred Stock, par value $.01.

Each share of Class A Convertible Preferred Stock is convertible into common stock on a basis of ten shares of common stock for each share of Class A Convertible Preferred Stock plus a payment of $.05 for each share of common stock issued.

On June 26, 1991, PNF's Board of Directors authorized the issuance of 405,000 shares of its Class A Convertible Preferred Stock to Mr. Alfred P. Avasso in consideration for his forgiveness of interest in the amount of $29,729 due to him for stockholder loans.

On August 6, 1991, PNF issued 2,790,559 shares of its common stock to the stockholders of No Fire in exchange for 89% of the outstanding common stock of No Fire.

On October 10, 1991, the Company's Board of Directors authorized the issuance of 33,333 shares of the Company's common stock purchase warrants to Mr. Alfred P Avasso in consideration for full forgiveness of $200,000 which he had loaned the Company. The warrants are convertible into common stock at an exercise price of $6.00 per share through December 30, 1995.

On January 8, 1992, the Company's Board of Directors approved a five year warrant to be issued to each of four officers of the Company to purchase various amounts of shares of the

Company's common stock at $6.00 per share. The total number of shares exercisable under the warrants is 1,825,000.

On January 8, 1992, the Company's Board of Directors approved the issuance of 95,000 shares of the Company's Class A Convertible Preferred Stock.

The Company issued 115,000 restricted shares of common stock pursuant to a licence agreement.

Through February 29, 1992 341,000 Series A Redeemable common stock purchase warrants have been exercised and the Company has reserved 148,872 shares of its common stock per issuance of remaining outstanding warrants. On February 26, 1992 the Company gave notice to the remaining warrant holders that they had called the warrants and all warrants not exercised by March 27, 1992 would be purchased by the Company for $.0001 per warrant. The Company received $159,000 on the exercise of 26,500 warrants. In addition the Company has reserved 3,110 shares of its common stock for issuance upon the exercise of the underwriters warrants.

Note 12 - Commitments and Contingencies:

Contingencies:

Two former accounting firms utilized by the Company have sued the Company to collect unpaid fees plus $50,000 in punitive damages. The fees, included in accrued expense at August 31, 1991, have been reversed. The Company has countersued in both actions against the former accounting firms. Initial discussions with one of the firms indicated that all fees would be voided.

Invoices for promotional services in the amount of $140,000 have been received by No Fire. These services were alleged to have been provided in connection with the license agreement that No Fire entered into with Grayhound. No Fire disputes these invoices and believes that little or no services were ever performed. Management has elected to accrue a limited amount for work performed.

Note 13 - Option Agreement:

On August 6, 1991, the Company entered into an option agreement to acquire the remaining 11% of the issued and outstanding shares of common stock of No Fire prior to January 6, 1993 provided that:

a) No Fire has generated orders for the No Fire products in the aggregate totalling $20,000,000.

b) The No Fire product has been accepted by its customers

c) No Fire's assets at July 1, 1991 have been independently appraised at a value of not less than $10,000,000

As of December 20, 1991, the requirements of (a) and (b) for exercising the option have not been satisfied.

As consideration for the acquisition of the remaining 11% of the issued and outstanding shares of common stock of No Fire, the Company will issue 344,900 shares of its common stock to the stockholders of No Fire.

Note 14 - Going Concern Uncertainty:

The accompanying financial statements have been presented on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company incurred a net loss of $1,346,455 during the period ended February 29, 1992 and has incurred net losses since inception. As of February 29, 1992 the Company's current liabilities exceeded its current assets by $187,743. In addition, for the period ended February 29, 1992, the Company had negative cash flows from operating activities in the amount of $535,198. These factors created an uncertainty about the Company's ability to continue as a going concern. Management of the Company has developed a plan which will enable it to raise additional funds. The Company signed a license agreement for its No Fire product. The licensee has purchased 115,000 restricted shares of common stock from the Company at $6.00 per share. The licensee has given the Company a note for $675,000 for the common stock issued. The Company has several signed letters of intent from companies interested in obtaining licenses for the No Fire products. Each of the license agreements will require the licensee to purchase shares of common stock from the Company at a minimum purchase price of $6.00 per share.

The Company expects additional funds to be raised through the exercise of the Redeemable Common Stock Purchase Warrants of which $159,000 was received in March 1992.

Upon commencement of the licensing agreements that have been signed, the Company expects to generate sufficient cash flow from operations to enable to pay its liabilities on a current basis and reduce the liabilities included in the accompanying consolidated financial statements.

Management of the Company believes that upon the execution of this plan, substantial doubt about its ability to continue as a going concern will be alleviated.

Note 15 - Subsequent Events/Other Events:

Stock Exchange Listing - On March 18, 1992, the Company was listed on the American Stock Exchange, Emerging Companies Market Place.

License Agreements - On December 9, 1991, the Company signed a license agreement which provides the licensee an exclusive license to utilize the No Fire product in the manufacture of built-in wall safes. In addition to purchasing the No Fire product, the licensee is required to purchase 115,000 restricted shares of the Company's common stock at a price of $6.00 per share.

The licensee also has an option to obtain the exclusive worldwide license to utilize the No Fire product in the manufacture of all other types of safes and file cabinets. If this option is exercised, the licensee is obligated to purchase an additional 325,000 restricted shares of the Company's common stock at a price determined as follows: $6.00 per share if within the first six months of the effective date of the licensing agreement, and at the then current price if within the second six months.

The Company has recently signed a letter of intent with a leading textile entity to create a joint venture utilizing its product with the entity's fabric to cover cable wires.

The Company is in various stages of negotiations with other United States Companies and an Italian entity.

In March 1992, the Company received $30,000 in proceeds from sale of restricted common stock from a licensee who has also agreed to purchase additional stock of 445,000 shares of restricted common stock at $6.00 per share (payment for which will be evidenced by a promissory note). Further, as a condition to the agreement the licensee is obligated to purchase 300,000 gallons annually.

The Company's subsidiaries has many projects in various stages of testing for qualifying as U.L. listing, the main requirement before orders can be fulfilled. Within the next 30 days, it is expected that the Company will ship merchandise to several customers.

The Subsidiary in the telecommunications industry is pursuing another communication system (CT-2) in Massachusetts.

Related Party Transactions - On December 2, 1991, the Board of Directors resolved that in accordance with Section 5.9 of August 6, 1991 agreement, whereby PNF acquired No Fire and Otis Hastings and related entities would be reimbursed $2,400,000 regarding the development of the No Fire patents.

Under the terms of the August 6, 1991 agreement two patents were assigned to the No Fire subsidiaries. Mr. Hastings and related entities will be reimbursed through a 10% fee of adjusted gross sales for all No Fire products until the total obligation is repaid. In addition, the Company will pay a royalty of 25% for all "field of use" patents using the technologies owned by Mr. Hastings or his related entities. This royalty will be in effect until the last expiration date of the patents or 20 years, whichever is the shorter period.

As additional consideration for the use of those patents developed by Mr. Otis Hastings, the Company is authorized to issue 100,000 shares of Class B Preferred Stock, par value $.01 to Mr. Otis Hastings.

One Time Charges - The Company has recorded $50,000 in legal fees which pertain to the prior year but were disputed and not accrued for in the prior periods.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

or

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period ended ____________ to ____________

COMMISSION FILE NUMBER 0-18341

Protech, Inc.
(exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	93-0929603 (I.R.S. employer identification number)
11550 IH-10 West, San Antonio, TX (address of principal executive offices)	78230 (Zip Code)

Registrant's telephone number including area code: (512)699-1990

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

As of March 31, 1992, there were 3,165,573 shares outstanding of the Registrant's common stock, $.001 par value per share.

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Protech, Inc.

Form 10-Q

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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

PROTECH, INC.
Balance Sheets

Assets	March 31, 1992 (Unaudited)	June 30, 1991
Current assets:		
Cash	$ 5,347	$ 56,208
Accounts receivable, principally trade, less allowance for doubtful accounts of $27,844 and $24,000, respectively	293,189	186,892
Inventories (note 2)	364,864	437,710
Prepaid expenses	20,762	2,288
Total current assets	684,162	683,098
Equipment, less accumulated depreciation of $152,105 and $113,232, respectively	228,900	240,975
Software development costs, less accumulated amortization of $589,509 and $464,363, respectively	510,052	507,179
Other assets, at cost, less accumulated amortization	18,991	73,320
	$ 1,442,105	$ 1,504,572
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of obligations under capital lease	$ 8,838	$ 8,923
Notes payable to affiliates	300,000	300,000
Trade accounts payable	285,227	399,254
Accrued compensation	80,014	160,960
Accrued interest and other debt expense	1,767	122,793
Accrued expenses	50,658	133,522
Deferred service revenue	19,810	11,758
Total current liabilities	746,314	1,137,210
Obligations under capital lease, excluding current installments	20,227	26,211
Accrued rent expense	37,242	42,148
Total liabilities	803,783	1,205,569
Stockholders' equity:		
Class A convertible preferred stock, $.001 par value at stated value. Authorized, 5,000,000 shares; issued and outstanding, 31,945 shares (aggregate liquidation preference of $379,737 in 1991)	287,500	305,000
Common Stock, $.001 par value. Authorized, 25,000,000 shares; issued and outstanding, 3,165,573 shares, and 2,578,635 shares, respectively	3,166	2,579
Additional paid-in capital	3,614,822	3,069,384
Accumulated deficit	(3,267,166)	(3,077,960)
Total stockholders' equity	638,322	299,003
	$ 1,442,105	$ 1,504,572

PROTECH ,INC.
STATEMENTS OF OPERATIONS

	Three-Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
Revenue:				
Net sales	$ 455,319	$ 362,256	$ 1,779,952	$ 670,083
Other	9,624	277	26,766	14,516
	464,943	362,533	1,806,718	684,599
Cost and expenses:				
Cost of goods sold	244,495	158,249	909,564	319,303
Selling, general and administrative expenses.	295,428	409,573	931,658	1,403,438
Research and development expenses.................	41,088	32,703	122,953	218,806
Interest and other debt expense.................	10,412	8,114	31,752	18,734
	591,423	608,639	1,995,927	1,960,281
Earnings (loss) before income taxes and extraordinary item...	(126,480)	(246,106)	(189,209)	(1,275,682)
Income tax expense.........	--	--	--	--
Loss before income taxes and extraordinary item...	(126,480)	(246,106)	(189,209)	(1,275,682)
Extraordinary item...	--	--	--	--
Net earnings (loss)	(126,480)	(246,106)	(189,209)	(1,275,682)
Cumulative dividends on preferred shares..	10,063	11,550	20,126	23,100
Net earnings (loss) applicable to common shares...	$ (136,543)	$ (257,656)	$ (209,335)	$ (1,298,782)
Earnings (loss) per commons shares:				
Earnings (loss) before extraordinary items.	$ (.04)	$ (.10)	$ (.07)	$ (.51)
Net earning (loss)....	$ (.04)	$ (.10)	$ (.07)	$ (.51)
Weighted average number of common shares outstanding..........	3,163,266	2,558,535	3,035,187	2,558,535

PROTECH, INC.
STATEMENTS OF CASH FLOWS

	Nine-Months Ended March 31,	
	1991	1991
Net earnings (loss)	$ (189,209)	$(1,275,682)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	173,099	144,481
Provision for doubtful accounts	10,494	--
Gain on sale of assets	(1,443)	--
Decrease (increase) in accounts receivable	(116,791)	364,246
Decrease (increase) in inventories	72,846	(196,510)
Decrease (increase) in prepaid expenses	(18,474)	10,404
Decrease in other assets	53,204	21,360
Increase (decrease) in accounts payable	(114,027)	103,650
Increase (decrease) in deferred revenue	8,052	(42,438)
Increase (decrease) in accrued expenses	(86,002)	3,349
Increase (decrease) in accrued compensation	(80,946)	16,940
Net cash used in operating activities	(289,197)	(850,200)
Cash flows from investing activities:		
Expenditures for software development costs	(128,018)	--
Expenditures for equipment	(33,308)	(16,703)
Net cash used in investing activities	(161,326)	(16,703)
Cash flows from financing activities:		
Principal payments under capital leases	(6,069)	(4,908)
Proceeds from issuance of notes	300,000	251,793
Principal and interest payments on notes	(310,293)	--
Proceeds from issuance of capital stock	470,550	--
Expenditures for offering	(54,526)	--
Net cash provided by financing activities	399,662	246,885
Net decrease in cash	(50,861)	(620,018)
Cash at beginning of period	56,208	657,536
Cash at end of period	$ 5,347	$ 37,518

PROTECH, INC.
NOTES TO FINANCIAL STATEMENT
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q used for quarterly reports under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The financial information included in this report has been prepared in conformity with the accounting principles, reflected in the financial statements included in a Registration Statement on Form S-1 (File No. 33-31189) filed with the Securities and Exchange Commission and declared effective on December 21, 1989.

In the opinion of management of the Company, all adjustments (consisting of only normal recurring accruals) necessary for a fair statement of the results for the interim periods presented have been recorded.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

The accompanying financial information, which is unaudited (except for the balance sheet as of June 30, 1991, which is audited), is necessarily based on certain estimates and is currently subject to year-end audit adjustments.

(2) Summary of Significant Accounting Policies

(a) Protech, Inc. (the "Company") was incorporated on July 9, 1986 in the State of Nevada for the purpose of developing and marketing in-circuit test system equipment. The Company was a development stage company during its first year of operations with sales commencing in April 1987.

(b) Inventories

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

	March 31, 1992	June 30, 1991
Raw materials	$189,239	$197,605
Finished goods	175,625	240,105
	$364,864	$437,710

(c) Earnings (Loss) per Common Share

Earnings (loss) per common Share is computed based on the weighted average number of common shares outstanding during the period and includes the effect of cumulative dividends on the preferred stock. The stock purchase warrants are not dilutive. Fully diluted earnings per share are not reflected due to the anti-dilutive effect of the preferred shares.

(d) Commitments

On July 7, 1990, the Company moved into new facilities and signed a non-cancelable operating lease that expires on June 30, 1996. The minimum lease payments for the additional space are $140,184, $153,180, $153,180, $153,180, and $153,180 for the fiscal years ended June 30, 1992, 1993, 1994, 1995, and 1996, respectively.

On July 7, 1990, a capital lease obligation of $41,968 was incurred when the Company entered into leases for new equipment. The present value of future minimum capital lease payments as of September 30, 1990 are $11,764, $11,764, $11,764, and $11,764 for the fiscal year ended June 30, 1992, 1993, 1994, and 1995, respectively.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION

The following table sets forth, for the periods indicated, a percentage analysis of items in the Statement of Operations in relation to the Revenue of the Company.

STATEMENT OF OPERATIONS AS A PERCENTAGE OF REVENUE

	THREE-MONTHS ENDED MARCH 31,		NINE-MONTHS ENDED MARCH 31,	
	1992	1991	1992	1991
REVENUE	100%	100%	100%	100%
COST OF GOODS SOLD	53%	44%	50%	47%
SELLING, GENERAL AND ADMINISTRATIVE	63%	113%	51%	205%
RESEARCH & DEVELOPMENT	9%	9%	7%	31%
INTEREST & FACTORING	2%	2%	2%	3%
TOTAL OPERATING EXPENSE	127%	168%	110%	286%
NET LOSS	(27%)	(68%)	(10%)	(186%)

REVENUE increased from $684,599 during the nine months ended March 31, 1991 to $1,806,718 during the nine months ended March 31, 1992. The increase of $1,122,119, or 164%, is attributable to the successful establishment of International Distributors, the revitalization of the Company's Distributor in the United Kingdom and increased sales in the Domestic Markets. Approximately 35% of the increase in revenues over the prior period is attributable to increased International sales. Of significance during the period ended March 31, 1992 are $684,692 in revenues achieved through a private label manufacturing agreement which began in March 1991. During the nine month period ended March 31, 1991, revenues achieved through the private label manufacturing agreement totalled $4,632.00. Such private label manufacturing agreement represented 38% of all revenues during the period. The term of the current private label manufacturing agreement expires during May 1992. It is not the intention of the Company to extend the agreement.

REVENUE increased from $ 362,533 during the three months ended March 31, 1991 to $464,943 during the three months ended March 31, 1992. The total increase of $102,410, or 28% is principally attributable to the establishment of the private label manufacturer agreement: during 1992, which represented $179,393 in revenues during the three month period ended March 31, 1992, Domestic sales decreased for these periods: from $277,949 to $174,43, 1991 and 1992, respectively.

During the nine month period ended March 31, 1991, the Company experienced a significant slow down in purchases through the Company's Indirect Selling Organizations (ISO's) throughout the Domestic marketplace, a substantial reduction in orders received from the Company's International Distributor and a re-scheduling, postponement or termination of orders secured through the Company's direct selling organization. It is the Company's belief that during this period, sales were negatively impacted by a general slow-down in the Domestic economy and by the crisis in the Middle East. In addition, it is the opinion of the Company that, in most instances, Distributors and ISO affiliates were either attempting to service too wide a geographic territory, lacking in qualified sales professionals or improperly trained.

During the nine month period ended March 31, 1992, the Company initiated a review of sales and marketing processes which included a review of the calibre and capabilities of each Distributor and ISO affiliate of the Company. Additionally, the Company launched a search for additional qualified ISO's and International Distributors. During the three month period ended December 31, 1991, the Company completed an ISO recruiting program which has established eleven (11) qualified selling organizations, representing approximately forty-one (41) individuals who, by January 1, 1992 were properly trained and in place. In September 1991, the Company hired a Vice President of Sales and Marketing with significant experience in the semi-conductor industry, who has increased sales and marketing staff by two (2) individuals, who are responsible for the all aspects of account management, including direct sales, ISO management, product demonstrations and lead solicitation.

It is management's belief that the newly established ISO's and International Distributors will experience a selling cycle of the Company's products which will range from three to 12 months, with an average of approximately nine months. As such, the revitalization of the Domestic direct and ISO selling efforts is anticipated to have a progressive positive impact on revenues achieved, the full impact being realized during the fiscal quarter ending September 1992 and beyond.

During the nine month period ended March 31, 1992 the Company has developed a High Speed Tester which was announced during January 1992. The Company shipped its first sales of this unit during the quarter ended March 31, 1992 and anticipates a positive impact on revenue. The High Speed Tester is designed to extend current product offerings and is not intended as a replacement of any current product offering. It is managements belief that the High Speed Tester has developed a strong interest worldwide. During the three months ended March 31, 1992, the Company has received $169,521 in High Speed Tester orders, $169,521 of which have been shipped through March 31, 1992.

During the three month and nine month periods ended March 31, 1992 there was no substantial impact on revenues caused by price changes. It is not presently anticipated that future price changes will have a significant impact on revenues in the future.

The Company has made a commitment to develop of additional products or service offerings which will enhance revenues. Such revenue enhancements may include the offering of high-value Printed Circuit Board ("PCB") repair services, turn-key PCB repair and consulting services or the sale of logically related Automated Test Equipment ("ATE"). It is anticipated that the impact of such revenue enhancements may be realized as soon as the second quarter of Fiscal Year 1993.

COST OF GOODS SOLD, expressed as a percentage of Revenue, for the nine months ended March 31, 1991 was 47% as compared to 50% for the same nine month period ended March 31, 1992. The increase in Cost of Goods Sold during each nine month period is attributable to a combination of events including; the low level of Domestic orders achieved in relation to total sales during 1991, the impact of higher sales levels achieved through International Distributors which include substantial contractual discounts and the impact of negotiated pricing on sales achieved through the Company's private label manufacturing agreement.

During the three months ended March 31, 1991 and 1992, Cost of Sales was 44% and 53% respectively. The increase during the period is principally attributable to an increase in sales level through the private label manufacturer. During the three months ended March 31, 1991, only one unit was sold through this channel while 37 units were sold for the three months ended March 31, 1992. Because of the low margins associated with these sales, cost of goods sold rose proportionately. Since the private label manufacturer agreement expires during May 1992 and the Company does not intend to renew this agreement, the Company expects cost of goods sold to decrease, as a percentage of revenue, especially as domestic markets are developed and the Company achieves higher levels of sales of new product or service offerings.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A") decreased from $1,403,438 during the nine months ended March 31, 1991 to $931,658 during the nine month period ended March 31, 1992. The decrease was $471,780 or 34% period-to-period. In April 1991 the Company entered into an agreement with the Thomas Group, Inc., of Irving, Texas (TGI) whereby administrative fees normally associated with the position of President and Chief Executive Officer were reduced by approximately $5,600 each month. Under the agreement, TGI provided an individual who served in the capacity of President and Chief Executive Officer on a daily basis through January 31, 1992. The agreement provided for certain non-cash compensation to TGI through January 31, 1992. In February 1992, the Company canceled this agreement and hired the individual at a rate of approximately $10,800 per month. Therefore, SG&A expenses during future periods are expected to increase due to this transaction.

The Company has decided to terminate the contract between itself and Managerial Resources, Inc., who provides the services of the Chief Financial Officer, effective May 31, 1992. This termination will reduce SG&A expenses by approximately $7,000 per month.

During the three month period ended March 31, 1991 and 1992, SG&A expenses totaled $409,573 and $295,428, respectively. The decrease was $114,145 or 28% period-to-period. The decreases are attributable to actions taken by the Company as described above.

It is anticipated that the Company will increase spending in areas associated with the marketing of current products or in the pursuit of additional revenue sources as may be appropriate. In addition, the Company is currently investigating the possibility of entering the PCB repair industry and expects to increase spending in this area.

RESEARCH AND DEVELOPMENT ("R&D") expenses during the nine month period ended March 31, 1991 and 1992 totaled $218,806 and $122,953, respectively. During the periods there was a decrease in non-capitalized R&D spending of $95,853, or 44%. During the same periods, capitalized R&D expenditures totaled zero and $128,018 for 1991 and 1992, respectively.

R&D expenses during the three month period ended March 31, 1991 and 1992 totaled $32,703 and $41,088, respectively. During the periods there was a increase in non-capitalized R&D spending of $8,385, or by 26%.

During the nine month period ended March 31, 1992 the Company focused on the completion of the development of a High-Speed tester which, in the Company's opinion, offers unique price and performance characteristics to the ATE marketplace. The first sales of the High Speed product series occurred during the quarter ending March 31, 1992. It is anticipated that R & D expenditures will continue at the current rate during future periods.

INTEREST AND OTHER DEBT expenses during the nine month period ended March 31, 1991 and 1992 totaled $18,734 and $31,752, respectively. During 1992 there was an increase of $13,018, or 69% as compared to the comparable nine month period of 1991. During the three month period ended March 31, 1991 and 1992, interest and other debt expenses totaled $8,114 and $10,412, respectively. During 1992 there was an increase of $2,298, or 28% as compared to the comparable three month period of 1991. A nominal portion of the expenses include interest payments on outstanding trade accounts payable. Factoring was achieved through affiliated and non-affiliated parties. Affiliated parties received $14,015 in interest and factoring expenses during the nine months ended March 31, 1992.

The increase in interest expense incurred during the nine month period ended March 31, 1991 and 1992 is attributable to the financing costs related to the 11% Convertible Promissory Notes executed in March 1991 and the 8.5% Convertible Promissory Notes executed in January 1992. The Company has continued using factoring entities as required to finance operations; however, these costs have remained relatively constant from period to period.

NET LOSS during the nine month period ended March 31, 1991 and 1992 was $1,275,682 and $189,209, respectively. The improvement in operating results is principally attributable to a substantial increase in revenues and to the reduction of non cost-of-sales related expenditures achieved during all of the periods.

LIQUIDITY AND CAPITAL RESOURCES

During the nine-month period ended March 31, 1992, the Company continued to use funds from the initial public offering, funds from short term notes and funds from product sales to finance its operating activities.

The revenue levels and resulting operating losses achieved in the past have severely strained liquidity. Even though revenue increased during the nine month period ended March 31, 1992, the Company continues to have a need for additional working capital. During the nine month period ended March 31, 1992, the Company initiated a temporary price reduction on the outstanding Class A warrants related to the initial public stock offering as an inducement for shareholders to exercise such warrants providing an additional source of working capital. During August 1991 the Company received $458,050 of gross proceeds related to the warrant call which constituted a reduction in the price of Class A Warrants, for a period of approximately 60 days, from $3.25 to $1.00 per share. The use of these proceeds included the payment of expenses associated with the warrant action, repayment of short-term bridge loans, notes payable and in the financing the general operation of the Company.

During January 1992, the Company borrowed an aggregate of $300,000 from four individuals; two unaffiliated investors, Philip Thomas, a Director and Chairman of the Board of the Company, and James Casey, President and Chief Executive Officer loaned the Company a total of $150,000. The loans are evidenced by Convertible Secured Promissory Notes that bear interest at the rate of 8.5% per annum. The Notes are secured by all the tangible and intangible assets of the Company. The principal plus accrued interest on the Notes is due on the earlier of (i) nine months from the date of the notes (July 4, 1992); or (ii) within 10 business days after the securing of adequate funds from a private placement (dale) of 144 stock in the Company. Each Noteholder has the right, at his option, prior to repayment of the Note, to convert up to five percent of the original principal amount of the Note into shares of Common Stock at $.10 per share, in which case the Company would issue a total of 150,000 shares to the Noteholders. The Noteholders also hold a one time demand registration right with respect to the shares of Common Stock that they receive upon conversion of the Notes. In the event the Notes are still outstanding thirty (30) days after their due date, the Noteholder also shall have the right at their option to convert the entire outstanding principal amount of these Notes plus any accrued interest on the Notes into the Company's $.001 par value per share Common Stock at a price of $.10 per share.

The Company has entered into discussions with its investment banker and with other sources with the intent of securing an additional source of liquidity of upto $1,000,000 before expenses. Such funding may involve the sale of additional equity, or in the establishment of long-term debt. While success cannot be assured, if such funds are secured it is the intent of the Company to first repay $300,000 in short-term working capital loans to affiliated and non-affiliated parties. The balance will be used to fund a portion of the costs associated with the introduction and marketing of a High-Speed Tester, to satisfy recently increased NASDAQ listing maintenance requirements, and to secure a source of additional working capital to be used in general operations.

During April 1992, the Company initiated a temporary price reduction on the outstanding Class A and Class B Warrants related to the initial public stock offering as an inducement for holders to exercise such warrants, thus providing an additional source of working capital. The Company expects to receive from approximately $400,000 to $920,000 in gross proceeds related to this warrant solicitation which constituted a reduction in the price of Class A and Class B Warrants, for a period of approximately 45 days, from $3.25 to $1.125 and from $3.00 to $1.00 per share, respectively. It is the intent of the Company to fund the introduction and marketing of a High-Speed Tester, to satisfy minimum NASDAQ requirements, to repay the short-term loans, and to secure an additional source of working capital to be used in general operations based on total funds received.

ACCOUNTS RECEIVABLE increased by $116,791, or 62%, during the nine month period ended March 31, 1992. The increase is attributable to the overall increase in revenues achieved during the period and to marginally extended payment terms offered to one International Distributor. The Company continues to aggressively collect receivables balances outstanding. During the period the Company has offered discounts on prepaid orders and has used factoring agents to accelerate the collection of accounts receivable from time-to-time as necessary.

INVENTORY decreased by $72,846, or 17%, from $437,710 at June 30, 1991 to $364,864 at March 31, 1992. The decrease in inventory balances is in line with the Company's intention to consume existing inventories whenever possible, to minimize the level of inventories and to maximize the "turn" of inventories as greater levels of revenues are achieved. The Company believes that adequate inventories exist to satisfy shipments of approximately two months, depending on mix and volume of orders received. The Company has improved its standing with vendors during the nine month period ended March 31, 1992. In some instances the Company is on cash-with-order with certain vendors or has negotiated special terms of payment in the instance where a pay out of prior balances is required. The Company does not anticipate any interruptions in the availability of raw materials.

In May 1992, the Company will conclude the private label contract established during February 1991. Even though the margins on these sales were low in comparison to other sales, the conclusion of this contract will have a negative impact on liquidity. The negative impact on liquidity is anticipated to be $19,200 monthly. The Company has initiated discussions with the original equipment manufacturer to provide the manufacturing of future sales for a royalty fee.

TERM NOTES PAYABLE during the nine month period ended March 31, 1992 were reduced by $257,793, including interest. Such notes were previously established during March 1991 through the sale for cash of 11% convertible promissory notes secured by inventory and raw materials of the Company. During the same period the Company resolved an additional note of $52,500, including interest which was associated with short-term factoring of accounts receivable to affiliated and non-affiliated parties.

TRADE ACCOUNTS PAYABLE decreased by 29%, or by $114,027, during the nine month period ended March 31, 1992. This decrease is attributable to a combination of events, including; the payment of current trade payables on a timely basis, the payment of prior trade payables on a scheduled basis, negotiated settlements with certain trade vendors, the payment of cash-with-order with certain critical trade vendors and the Company's policy of increasing the "turn" of inventory as shipments increase. It is the Company's intention to achieve normal trade payment terms with all vendors. The conclusion of the private label contract will have a positive impact on the trade payables since this creates many of the cash-with-order situations.

ACCRUED COMPENSATION at June 30, 1991 included previously accrued and unpaid wages owed to employees of $113,923. At March 31, 1992, previously accrued and unpaid wages totaled $49,748. Effective February 1992, the Company implemented a salary deferral plan in which the majority of the employees have deferred 20% of their salary. The Company intends to pay this deferral with proceeds from the warrant solicitation.

ACCRUED EXPENSES decreased by 65%, or $86,864, during the nine month period ended March 31, 1992. Accrued expenses totaled $50,658 at March 31, 1992 as compared to $133,522 at June 30, 1991. The reduction is attributable to payment of accrued commissions, payment of legal expenses and payments made to the Company's independent auditors.

On July 7, 1992, the Company moved into new facilities and signed a non-cancelable operating lease that expires on June 30, 1996. The minimum lease payments for the additional space are $140,184, $153,180, $153,180, $153,190 and $153,180 for the fiscal years ended June 30, 1992, 1993, 1994, 1995 and 1996, respectively.

In January 1991 the Company subleased to a third party, for a minimum period of 12 months, approximately 3000 square feet for $1,650 per month for the first 9 months and $2,490 thereafter. This sublease will continue on a monthly basis until a 90 day notice is given by either party. During December 1991, the Company renegotiated the lease agreement to reduce the leased space by approximately 4,900 square feet, and the monthly rent by $4,000 per month, for the remainder of the lease period.

The Company has currently found a third party to occupy the entire existing lease. As a result, a search for another facility was initiated. The Company intends to move into new facilities with less space and lower cost by August 1, 1992.

On July 7, 1990 a capital lease obligation of $41,968 was incurred when the Company entered into a lease for new telephone equipment. The present value of future minimum lease payments as of March 31, 1992 is $11,764 for each fiscal year ending June 30, 1992, 1993, 1994 and 1995, respectively.

The Company has steadily improved its liquidity during the nine-month period ended March 31, 1991; however, the Company remains in a crisis state until either the funding mechanisms are completed or a significant increase in sales is established. The Company's losses have been substantially reduced. However, the Company recognizes that significant and continuing liquidity risks remain. It is the belief of the Company that a combination of: a continued increase in sales levels achieved and, if secured, additional sources of working capital achieved through equity and debt instruments presently in process, will substantially meet or exceed near-term requirements of the Company.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Statement 109, "Accounting for Income Taxes" which will supersede Statement 96, "Accounting for Income Taxes". The Company currently accounts for income taxes under APB 11, having elected not to adopt Statement 96 prior to its required effective date. Statement 109 will change the Company's method of accounting for income taxes from the deferred method required under APB 11 to the asset and liability method. Under the deferred method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net income for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The Company presently does not know and cannot reasonably estimate the impact of Statement 109 on its financial statements.

Statement 109 is effective for fiscal years beginning after December 15, 1992, and earlier adoption is permitted. Statement 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement shall be reported as the cumulative effect of a change in accounting principle in the results of operations. The Company has not made a determination whether it will restate any prior years or adopt Statement 109 in 1993 on a prospective basis.

The Company does not provide post-retirement benefits to its employees.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is currently involved in litigation concerning a dispute of billings from previous legal counsel for services rendered during and prior to 1992. Claims totaling approximately $39,400 have been assessed by Plaintiff. No judgement or award has been established. It is the intent of the Company to aggressively defend its position.

Item 2. Changes in Securities

(None)

Item 3. Defaults on Senior Securities

(None)

Item 4. Submission of Matters to a Vote of Security Holders

(None)

Item 5. Other Information

(None)

Item 6. Exhibits and Reports on Form 8-K

Pursuant to Part II of Schedule D of the NASD By-Laws, on October 17, 1991, PROTECH, Inc. submitted a balance sheet for the period ending September 30, 1991, as minimum capital and surplus requirement. The balance in equity accounts on June 30, 1991 of $299,003 increased to $764,802 by Merch 31, 1992 as a result of a profit during the quarter ended September 30, 1991 and the sale of common stock during that same period.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

By:____________________
Chief Executive Officer
J.W. Casey

By:____________________
Chief Financial Officer
Stephen L. Martin

Date: May 15, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 31, 1991 COMMISSION FILE NO. 0-19241

ROPAK LABORATORIES
(Exact Name of Registrant as Specified in its Charter)

California	33-0149560
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
16632 Milliken Avenue., Irvine, California	92714
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code: (714) 851-8356

Not applicable
Former address, if changed since last report

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 12 or 15(D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report:
As of December 31, 1991: 5,065,155 shares of Common Stock.

ROPAK LABORATORIES

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* The Company changed its fiscal year during 1991 from the last day in February to the last day in September, effective September 30, 1991.

ROPAK LABORATORIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 1991 (unaudited)	September 30, 1991
CURRENT ASSETS		
Cash and cash equivalents	$117,202	$1,114,024
Short-term investments	3,035,887	3,228,363
Accounts receivable, trade	117,680	--
Accounts receivable from a related party, See Note 4	--	122,062
Inventories	667,129	577,551
Prepaid expenses and other current assets	225,527	144,722
TOTAL CURRENT ASSETS	4,163,425	5,186,722
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS	1,021,855	834,126
OTHER ASSETS		
Notes receivable from officers	142,500	142,500
Prepaid royalties	62,687	63,437
Patents and trademarks, net of accumulated amortization of	85,056	70,375
Other	10,516	10,516
	300,759	286,828
TOTAL ASSETS	$5,486,039	$6,307,674

See notes to financial statements.

ROPAK LABORATORIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1991 (unaudited)	September 30, 1991
CURRENT LIABILITIES		
Accounts payable and accrued expenses....	$ 383,202	$ 343,542
TOTAL CURRENT LIABILITIES..........	383,202	343,542
LONG-TERM DEBT..........................	--	--
SHAREHOLDERS' EQUITY		
Preferred stock, no par value: authorized - 1,000,000 shares; none issued or outstanding............	--	--
Common stock, no par value; authorized--15,000,000 shares; 5,065,155 shares issued and outstanding at December 31, 1991 and at September 30, 1991..............	11,083,307	11,083,307
Accumulated deficit......................	(5,980,470)	(5,119,175)
	5,102,837	5,964,132
	$5,486,039	$6,307,674

See notes to financial statements.

ROPAK LABORATORIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 1991 (unaudited)	 1990 (unaudited)
REVENUES: (all sales for the 1990 period are to a related party -- See Note 4).....	$ 264,136	$ 298,525
COSTS AND EXPENSES:		
Costs of revenues..........................	129,622	109,380
Selling, general and administrative.........	902,060	101,499
Research and development....................	219,829	62,690
Total costs and expenses.....................	1,251,511	273,569
(Loss) income from operations................	(987,375)	24,956
Other expense (income).......................	(126,080)	9,000
NET (LOSS) INCOME............................	$(861,295)	$ 15,956
Income (loss) per share of common stock......	$ (.17)	$ .01
Weighted average shares outstanding..........	5,123,619	2,635,457

See notes to financial statements.

ROPAK LABORATORIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
Balance at September 30, 1991..	5,065,155	$11,083,307	$(5,119,175)	$5,964,132
Net loss for the three months ended December 31, 1991.............			(861,295)	(861,295)
Balance at December 31, 1991...	5,065,155	$11,083,307	$(5,980,470)	$5,102,837

See notes to financial statements.

ROPAK LABORATORIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31, 1991 (unaudited)	Seven Months Ended September 30, 1991
OPERATING ACTIVITIES		
Net income (loss)......................	$(861,295)	$(3,453,265)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from early extinguishment of debt.	--	364,316
Depreciation and amortization..........	1,461	100,502
Common shares issued and capital contributed for services.............	--	193,000
Changes in operating assets and liabilities:		
Accounts receivable..............	4,382	112,231
Inventories........................	(89,578)	154,236
Notes receivable from officers....	--	(142,500)
Other assets......................	(80,805)	267,518
Accounts payable and accrued expenses.................	39,660	(126,062)
Amounts due to officer/shareholder	--	(145,857)
Customer deposits.................	--	(232,000)
NET CASH USED IN OPERATING ACTIVITIES....	(986,175)	(1,822,324)
INVESTING ACTIVITIES		
Investment in marketable securities......	192,476	(3,228,363)
Purchase of furniture, equipment and leasehold improvements.................	(187,729)	(677,069)
Patent and trademark additions...........	(15,394)	(24,088)
NET CASH USED IN INVESTING ACTIVITIES....	(10,647)	(3,929,520)
FINANCING ACTIVITIES		
Net proceeds from public offering of common stock, net of expenses..........	--	7,056,057
Proceeds from exercise of warrants.......	--	661,875
Repayment of credit line.................	--	(150,000)
Repayment of long-term debt..............	--	(1,150,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	--	6,417,932
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS....................	(996,822)	666,088
Cash and cash equivalents at beginning of period................	1,114,024	447,936
CASH AND CASH EQUIVALENTS AT END OF PERIOD.	$ 117,202	$1,114,024

See notes to financial statements.

ROPAK LABORATORIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1991

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference is made to Note 1 of the Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year (transition period of seven months) ended September 30, 1991 for a summary of significant policies utilized by the Company.

NOTE 2 - UNAUDITED STATEMENTS

The information set forth in these statements as of December 31, 1991 and for the three months ended December 31, 1991 and 1990 are unaudited and may be subject to normal year-end adjustments. The information reflects all adjustments which, in the opinion of management, are necessary to present a fair statement of results of operations of Ropak Laboratories for the periods indicated.

NOTE 3 - RESULTS NOT NECESSARILY INDICATIVE OF FULL YEAR

Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

NOTE 4 - RELATIONSHIP WITH ROPAK CORPORATION

In February 1989, the Company entered into an exclusive distribution agreement with Ropak Corporation for the exclusive distribution rights to all the Company's products. Under terms of the distributor agreement, Ropak Corporation acted as the exclusive distributor and marketing representative for all of the Company's products and services, and incurred all expenses related to the Company's sales and marketing efforts. In return for these efforts, Ropak Corporation purchased products from the Company at a discount of approximately 40% from the Company's standard list prices.

Effective as of September 30, 1991, the distributor relationship with Ropak Corporation was terminated by mutual agreement, and the Company repurchased all rights to the marketing and sale of its products and services primarily for the issuance of 281,233 additional shares of common stock.

As of the date of this Report, Ropak Corporation owns 1,031,233 shares of the Company's common stock (of which 750,000 shares were purchased for cash in 1989 and 1990, and 281,233 shares were issued in connection with the termination of its exclusive distributorship agreement). The President and Chairman of Ropak Corporation owns 18,750 shares of the Company's common stock and is a member of the Company's Board of Directors. Since all sales for the three months ended December 31, 1990 were to Ropak Corporation, and all accounts receivable as of September 30, 1991 were due from Ropak Corporation, such amounts are included in the financial statements as transactions with a related party.

Results of operations subsequent to September 30, 1991 will not be impacted by the distributor's discount previously accorded Ropak Corporation, but will reflect full absorption of all sales and marketing costs. As of September 30, 1991, the Company elected to change its fiscal year to September 30 to reflect this change.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

General

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Report.

Effective as of September 30, 1991, the Company by mutual agreement terminated its exclusive distributorship agreement with Ropak Corporation, and repurchased all sales and marketing rights to the Company's products and services. Management anticipates that the Company's sales will increase during 1992 and subsequent years as a result of terminating the former distributorship agreement with Ropak Corporation. An immediate increase as of October 1, 1991 will result from saving the price discount of approximately 40% previously accorded the former distributor. In addition, increases are expected from recent additions to the sales, marketing and technical support staff.

The impact of hiring sales and marketing personnel formerly employed by the distributor and of hiring additional sales and technical support personnel, however, will add substantially to sales and marketing expenses as compared to prior periods. Moreover, the effect of integrating employees of the former distributor and adding new personnel is not expected to be reflected in revenues until training is completed and new personnel obtain field experience with customers.

The Company elected to change the end of its fiscal year from the last day of February to the last day of September in each year, so that its results of operations in each full fiscal year henceforth will be comparable and correspond with the effective date of the Company's reacquisition of its sales and marketing rights.

Results of Operations

THREE MONTHS ENDED DECEMBER 31, 1991 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 1990

Net sales for the three months ended December 31, 1991 (the "First Quarter") were $264,136, as compared to $298,525 for the three months ended December 31, 1990. The First Quarter decline in units sold, compared to the comparable quarter of the prior year, was even more severe than indicated by the foregoing figures. During the First Quarter, the Company no longer was required to absorb a 40% discount which impacted sales for periods prior to October 1, 1991 through its former distributor, Ropak Corporation.

Average monthly sales in the First Quarter of $88,000 continued a downward trend experienced in the four months ended September 30, 1991, in which net sales averaged approximately $63,000 per month (after deduction of the distributor discount). This trend was recently reversed in January and February 1992, in which sales were $121,000 and $140,000, respectively. Management attributes recent sales improvement to the reorganization of its sales and marketing staff and implementation of new programs after having terminated the exclusive distributor agreement with Ropak Corporation in late 1991. The Company believes that a more intense sales effort, refocused to concentrate on primary accounts, together with an increased level of technical support at the customer level, is required to maintain a favorable sales trend. The Company has recently expanded its sales and technical support staff to support these efforts.

Management believes that the sales decline in 1991 is a result of several factors. Sales in Asia declined in response to the absence of a sales manager in Japan pending efforts by the Company's former distributor to recruit a replacement. Sales in both the United States and Europe were also below prior period levels, partly as a result of product validation studies for SKINTEX and SOLATEX being pursued by the Company and its customers which detracted from sales efforts. In addition, the Company believes that its former distributor concentrated on other portions of its business, whereas the Company is dedicated to allocating necessary resources and attention to the sale and marketing of the Company's products.

Cost of sales for the First Quarter were $129,622, compared to $109,380 for the comparable period of the prior year. Cost of sales in the First Quarter represented approximately 49% of net sales, yielding a gross margin of 51%. The decrease in gross profit margin during the First Quarter, as compared to a 63.5% gross profit margin in the comparable quarter of the prior year, is attributable to increases in fixed manufacturing costs for direct labor, equipment, facilities and other manufacturing overhead which were not absorbed by higher volume due to the sales decline discussed above.

The Company increased its manufacturing capacity and overhead in 1991 to accommodate significant increases in production capability, and in anticipation of sales increases projected by its former distributor. Raw materials represents a minor portion of the Company's cost of goods sold, while fixed expenses for facilities, equipment and personnel account for the vast majority of costs of goods sold. Gross margins are expected to remain depressed until sales growth necessary to absorb increases in fixed costs have been attained. New equipment installed during 1991, although contributing to fixed costs, is expected over the long term to achieve reductions in unit costs and increases in labor productivity.

Selling, general and administrative expenses were $902,060 in the First Quarter, as compared to $101,499 during the three months ended December 31, 1990. Increases in selling, general and administrative expenses compared to prior periods are primarily attributable to the cost of sales and marketing expenses incurred subsequent to terminating the former distributor, as discussed above. Other general and administrative increases were associated with expansion of the Company's operations during 1991 and the effect of becoming a publicly-held company.

Research and development expenses for the First Quarter were $219,829, an increase compared to $62,690 for the three months ended December 31, 1990. Increases in research and development expenses are primarily attributable to increases in the level of product validation costs deemed essential to support existing and future sales and marketing efforts, plus the expenses of new product development (principally SOLATEX).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Other income of $126,080 for the First Quarter was the result of interest and investment income attributable to short-term investment of proceeds received from the Company's public stock offering in May 1991. During the prior year, other expense of $9,000 represented interest expense on indebtedness which was fully repaid during 1991.

Liquidity and Capital Resources

The Company's principal capital requirements relate to working capital for the production of inventories, general and administrative expenses, research and development, and sales and marketing.

Most of the Company's working capital consists of cash, cash equivalents and short-term investments in liquid marketable securities, which totalled $3,153,089 at *December 31, 1991. As of December 31, 1991, the Company's working capital* was $3,780,223 as compared to working capital of $4,843,180 at September 30, 1991. The decline in working capital is primarily attributable to a net loss for the first quarter ended December 31, 1991 of $861,295, increases in fixed assets of $187,729 and increases in inventory and other current assets of $170,383.

Management anticipates that working capital will continue to be depleted for the immediate future due to losses from operations. Until sale increases occur, revenues are less than the amounts necessary to cover fixed expenses for manufacturing overhead, research and development, and selling, general and administrative expenses. Sales increases will be dependent in part upon expanding use of the Company's products and services by its existing customers, many of whom are in the early stages of evaluating in vitro alternatives to traditional animal testing methods developed by the Company and others. Sales in 1992 may also benefit from introduction of the Company's new SOLATEX products.

The Company estimates its current operating cash requirements at approximately $330,000 per month, depending in part upon sales volume.

The Company's management believes that current funds and internally generated cash from operations and investments in marketable securities and money-market instruments will be sufficient to fund planned research and product development activities and working capital requirements of the Company for the fiscal year ending September 30, 1992. The Company's ability to sustain its current level of expenditures thereafter will be dependent upon future sales growth or the sale of additional equity, or a combination thereof. Should future sales growth fail to materialize, the Company anticipates that liquidity problems could be addressed by reducing the level of selling, general and administrative expenses incurred to support anticipated future growth and by reducing or deferring certain research and development efforts.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. Inapplicable.

Item 2. Changes in Securities. Inapplicable.

Item 3. Defaults Upon Senior Securities. Inapplicable.

Item 4. Submission of Matters to a Vote of Security Holders. Inapplicable.

Item 5. Other Information. Inapplicable.

Item 6. Exhibits and Report on Form 8-K.

A report on Form 8-K dated November 5, 1991 was filed with respect to the termination of agreements with Ropak Corporation and the Company's repurchase of marketing and distribution rights to its products and services.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 4, 1992

ROPAK LABORATORIES

By: William M. Curtis

William M. Curtis,
Chief Financial Officer

0 23534 0-35904 Q 92-2272, 10 Q

[redacted]

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

JUL

mR 7/15

For Quarter Ended May 31, 1992 — Commission file number 33-20064-NY

SAFE AID PRODUCTS INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

22-2824492
(I.R.S. Employer Identification No.)

300 Rabro Drive, Hauppauge, NY
(Address of principal executive offices)

11788
(Zip Code)

(516) 232-1281
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) had filed all reports required to be filed by Section 13 of 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Units	\$.00001 Par Value	150,000 units
Common Stock	\$.00001 Par Value	608,477,200 shares

as of May 31, 1992

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SAFE AID PRODUCTS INCORPORATED
(A Development Stage Enterprise)

BALANCE SHEETS

	May 31, 1992 (Unaudited)	November 30, 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 66,352	$ 94,694
Accounts receivable	9,270	-0-
Inventory	10,565	10,565
Other current assets	955	1,405
Total Current Assets	$ 87,142	$ 106,664
PROPERTY AND EQUIPMENT	9,484	11,924
ORGANIZATON COSTS	405	540
	$ 97,031	$ 119,128
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 6,867	$ -0-
Accrued expenses	410	14,500
Total Current Liabilities	7,277	14,500
STOCKHOLDERS' EQUITY:		
Common stock, $.00001 par value authorized 950,000,000 shares, 608,477,200 issued and outstanding shares at May 31, 1992 and November 30, 1991	6,085	6,085
Additional paid-in capital	1,535,314	1,535,314
Deficit accumulated during development stage	(1,451,645)	(1,436,771)
Total Stockholders' Equity	89,754	104,628
	$ 97,031	$ 119,128

See Notes to Financial Statements

SAFE AID PRODUCTS INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended May 31, 1992	Three Months Ended May 31, 1991	Six Months Ended May 31, 1992	Six Months Ended May 31, 1991
Operating revenue	$ 9,270	$ 264	$ 9,270	$ 452
Expenses:				
Cost of Sales	6,867	92	7,064	92
Selling general and administrative	11,987	16,752	17,607	40,510
Research and development	-0-	3,053	950	7,939
	18,854	19,897	25,621	48,541
Operating loss	(9,584)	(19,633)	(16,351)	(48,089)
Interest income	639	2,018	1,477	4,734
Net loss	$ (8,945)	$ (17,615)	$ (14,874)	(43,355)
Net loss per common share	(.00001)	(.00003)	(.00002)	(.00007)
Weighted average number of common shares outstanding	608,477,200	608,477,200	608,477,200	608,477,200

SAFE AID PRODUCTS INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Month Period Ended May 31, 1992	Six Month Period Ended May 31, 1991
OPERATING ACTIVITIES		
Net loss	$ (14,874)	$ (43,355)
Adjustments to reconcile net loss to net cash in operations:		
Depreciation and amortization	2,440	3,693
Changes in operating assets and liabilities:		
Accounts receivable	(9,270)	4,464
Inventories and prepaid expenses	450	92
Other assets	135	1,778
Accounts payable and accrued expenses	(7,223)	(1,983)
Net cash used in operating activities	(28,342)	(35,311)
INVESTING ACTIVITIES		
Net cash used in investing activities	-0-	-0-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-0-	-0-
Net (decrease) in cash and equivalents	(28,342)	(35,311)
Cash and cash equivalents at beginning of period	94,694	155,348
Cash and cash equivalents at end of period	$ 66,352	$ 120,037

SAFE AID PRODUCTS INCORPORATED
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. Financial Statements

The balance sheet as of May 31, 1992, the statements of operations and cash flows for the six month periods ended May 31, 1992 and 1991, have been prepared by the Registrant without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at May 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these financial statements be read in conjuction with the financial statements and notes thereto included in the Registrant's November 30, 1991 annual report on Form 10-K. The results of operations for the period ended May 31, 1992 are not necessarily indicative of the operating results for the full year.

2. On December 18, 1991, the board of directors of Safe Aid Products Incorporated has voted to extend the exercise periods of the Company's Class A and Class B Common Stock Purchase Warrants through January 11, 1993.

Each outstanding Class A Warrant, may be converted into one share of common stock for $.02 per share and one Class B Warrant. Each Class B Warrant, may be converted into one share of common stock for $.05 per share.

Warrants may only be exercised provided a post-effective amendment to the Company's Registration Statement has been filed with and is declared effective by the Securities and Exchange Commission and provided that there is compilance with applicable state securities laws. At the present time a current post-effective Registration Statement is not in effect with the Securities and Exchange Commission.

Part I. Financial Information

Item II. Management's Discussion & Analysis of Financial Condition & Results of Operations.

Financial Condition

The public offering that commenced April 11, 1988 was completed with the maximum 150,000 units being sold. As of July 11, 1988 the net proceeds, totalling $1,222,845, were distributed to and received by the Company.

Any remaining cash available was deposited in short term Certificates of Deposits or Money Market accounts which drew a favorable interest rate. During the six month period ended May 31, 1992 this interest income amounted to $1,477.

Part I. Financial Information (continued)

Results of Operations

During the six month periods ended May 31, 1991 and May 31, 1992 selling, general and administrative expenses were $40,510 and $17,607, respectively.

The Company has cut expenses drastically and has focused its energies towards the licensing of patents related to the nasal and transdermal delivery of aspirin and other drugs.

The registrant has sufficient funds to meet its 1992 needs for its operations and research.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports

Form 8-K filed January 8, 1992 with respect to Item 5 other events.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAFE AID PRODUCTS INCORPORATED
(Registrant)

Date: June 26, 1992

Stanley Snyder
President

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended: May 31, 1992

Commission File Number 0-20224

Salem Sportswear Corporation
name of registrant as specified in its charter)

02-0359850

(State or oth diction of organization c .nc. poration)

(I.R.S. Employer Identification Number)

One Delaware Drive
Salem, New Hampshire 03079
(Address of principal executive offices, including zip code)

(603) 893-8808
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

YES X NO __

and (2) has been subject to such filing requirements for the past 90 days.

YES __ NO X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $.01 per share	9,783,569
Class	Outstanding as of July 13, 1992

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Salem Sportswear Corporation

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SALEM SPORTSWEAR CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

	August 31, 1991	May 31, 1992 (unaudited)
Current assets:		
Cash	$ 60,689	$ 27,460
Accounts receivable, less allowances for doubtful accounts of $276,000 at August 31, 1991 and $435,000 at May 31, 1992	10,139,790	17,661,461
Inventory	18,212,960	27,689,740
Prepaid expenses	449,007	1,070,535
Prepaid taxes	194,120	1,027,715
Deferred income taxes	55,000	378,000
Total current assets	29,111,566	47,854,911
Property, plant and equipment:		
Land	145,000	194,030
Building	866,079	866,079
Furniture, fixtures and equipment	3,383,813	4,385,495
Leasehold improvements	772,127	924,538
Construction in process	55,901	871,246
Property under capitalized leases	525,231	598,731
	5,748,151	7,840,119
Less accumulated depreciation	(1,206,429)	(1,767,997)
Net property, plant and equipment	4,541,722	6,072,122
Goodwill, net of amortization of $38,000 at August 31, 1991 and $152,000 at May 31, 1992	2,990,255	2,705,736
Other assets, net of amortization of $81,000 at August 31, 1991 and $323,000 at May 31, 1992	2,516,412	2,457,963
Total assets	$39,159,955	$59,090,732

The accompanying notes are an integral part of the consolidated financial statements.

SALEM SPORTSWEAR CORPORATION

CONSOLIDATED BALANCE SHEETS, Continued

LIABILITIES AND STOCKHOLDERS' EQUITY

	August 31, 1991	May 31, 1992 (unaudited)
Current Liabilities:		
Accounts payable	$11,181,931	$ 9,765,950
Accrued expenses	3,345,145	10,361,354
Current portion of long-term debt:		
Related parties	286,261	286,261
Other	255,798	741,987
Obligations under capital leases due within one year	112,028	75,939
Total current liabilities	15,181,163	21,231,491
Notes payable	8,862,535	20,711,178
Long-term debt, less current portion:		
Related parties	10,108,783	10,108,783
Other	1,546,814	1,845,131
Obligations under capital leases, less current portion	183,131	193,108
Other Liabilities	—	1,280,000
Common stock $.01 par value; authorized 25,000,000 shares; issued and outstanding 6,938,874 and 7,032,726 shares at August 31, 1991 and May 31, 1992, respectively	69,389	70,327
Additional paid-in capital	5,069,366	5,373,529
Accumulated deficit	(1,861,226)	(1,722,815)
Total stockholders' equity	3,277,529	3,721,041
Total liabilities and stockholders' equity	$39,159,955	$59,090,732

The accompanying notes are an integral part of the consolidated financial statements.

SALEM SPORTSWEAR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(dollars in thousands, except share data)

	Predecessor(*) Three Months Ended May 31, 1991	Company Three Months Ended May 31, 1992	Predecessor(*) Nine Months Ended May 31, 1991	Company Nine Months Ended May 31, 1992
Net sales	$15,803	$29,337	$44,604	$81,165
Cost of sales	8,350	16,732	24,286	46,465
Gross margin	7,453	12,605	20,318	34,700
Selling, general and administrative expenses	5,279	8,692	14,867	24,330
Amortization expense	--	118	--	355
Relocation expense	--	--	--	1,350
Nonrecurring charges	--	--	--	5,570
Income from operations	2,174	3,795	5,451	3,095
Other income and expense:				
Interest expense, net	291	770	859	2,215
Other (income), expenses, net	23	50	(89)	153
Income before income taxes	1,860	2,975	4,681	727
Provision for income taxes	593	1,160	1,749	284
Net income	$1,267	$1,815	$2,932	$443
Net income per share	$0.18	$0.25	$0.42	$0.06
Weighted average number of common shares outstanding	6,936,761	7,359,490	6,936,761	7,359,490

(*) Presents financial data for the Company's predecessor for periods before the merger transaction described in Note 2.

The accompanying notes are an integral part of the consolidated financial statements.

SALEM SPORTSWEAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Predecessor(*)	Company
	Nine Months Ended May 31, 1991	Nine Months Ended May 31, 1992
Cash flows from operating activities:		
Net income	$ 2,931,534	$ 443,513
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	293,631	944,880
Changes in assets and liabilities:		
(Increase) in accounts receivable	(2,016,985)	(7,521,671)
(Increase) decrease in inventories	892,189	(9,476,780)
(Increase) decrease in prepaid expenses	(202,741)	(621,528)
(Increase) decrease in prepaid taxes	349,512	(833,595)
Increase (decrease) in accounts payable	(330,969)	(1,415,981)
Increase (decrease) in accrued expenses	(914,238)	7,016,209
Increase (decrease) in income taxes payable	336,012	—
(Increase) in other assets	(44,684)	(12,360)
(Increase) decrease in deferred taxes	92,899	(323,000)
Increase (decrease) in deferred revenue	(57,749)	—
Increase in other liabilities	--	1,280,000
Net cash provided by (used in) operating activities	1,328,411	(10,520,313)
Cash flows from investing activities:		
Capital expenditures, net	(1,151,068)	(2,119,950)
Payment for purchase of All Star Mfg., Inc	(80,000)	—
Net cash used in investing activities	(1,231,068)	(2,119,950)

(*) Presents financial data for the Company's predecessor for periods before the merger transaction described in Note 2.

The accompanying notes are an integral part of the consolidated financial statements.

SALEM SPORTSWEAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

	Predecessor(*) Nine Months Ended May 31, 1991	Company Nine Months Ended May 31, 1992
Cash flows from financing activities:		
Net borrowing (repayments) under line of credit agreement	(1,220,025)	11,848,643
Proceeds from borrowings of short-term debt	40,560	572,401
Proceeds from borrowings of long-term debt	1,432,440	1,536,476
Principal payments on short-term debt	(21,822)	(131,454)
Principal payments on long-term debt	(245,608)	(1,119,423)
Principal payments on capital lease obligations	(32,201)	(99,609)
Net cash provided by (used in) financing activities	(46,656)	12,607,034
Increase (decrease) in cash	50,687	(33,229)
Cash, beginning of period	46,509	60,689
Cash, end of period	$ 97,196	$ 27,460
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 972,003	$ 2,157,593
Income taxes	1,053,939	1,440,111
The Company purchased all of the capital stock of All Star Mfg., Inc. for $80,000. In conjunction with the acquisition, liabilities were assumed as follows:		
Fair value of assets acquired	$ 734,315	—
Cash paid for the capital stock	80,000	—
Liabilities assumed	$ 654,315	

(*) Presents financial data for the Company's predecessor for periods before the merger transaction described in Note 2.

On June 1, 1991, as part of the merger discussed in Note 2, the Company issued $5,000,000 (50,000 shares) of 8% cumulative redeemable preferred stock (see Note 3), $4,250,000 of subordinated debt, and 4,517,500 shares of common stock to several investors.

The accompanying notes are an integral part of the consolidated financial statements.

SALEM SPORTSWEAR CORPORATION

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Nature of Business.

Salem Sportswear Corporation (the "Company" or "Salem") is a leading domestic designer, manufacturer and marketer of sports apparel under licenses granted by the NBA, MLB, the NFL and the NHL, professional players and many American colleges and universities. The Company sells a wide variety of quality sportswear, including T-shirts, sweatshirts, shorts, light outerwear, and other leisure garments.

The Company's principal product line is marketed under the Salem trademark and includes a broad array of sports apparel featuring silk screened team insignia and images of professional athletes arranged in creative graphic designs. In 1991, the Company expanded its product offerings to include a line of upscale garments marketed under the Front Row trademark, a separate line of sports apparel designed to sell at lower price points under the Official Fan trademark and a line of coordinated tops and bottoms for infants and toddlers sold under the Baby Salem trademark.

On June 3, 1992, a Registration Statement on Form S-1 with respect to the initial public offering of the Company's common stock was declared effective by the Securities and Exchange Commission under the Securities Act of 1933. The Company issued 2,750,000 shares in such offering and received net proceeds of approximately $31.5 million after deducting the underwriting discount and estimated expenses payable by the Company related to the offering.

2. Basis of Presentation.

All consolidated financial statements included herein, except for those as of and for the period ended August 31, 1991, are unaudited. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect all adjustments (consisting only of normal recurring and certain non-recurring adjustments) necessary for a fair presentation of the financial position and operating results for the interim periods. Certain information and footnote disclosure normally included in the Company's annual financial statements have been omitted. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the entire fiscal year. Interim financial statements should be read in conjunction with the audited financial statements for the year ended August 31, 1991, which are contained in the Company's Registration Statement on Form S-1 referred to above.

In June 1991, a subsidiary of the Company merged with Salem Sportswear, Inc. (formerly Salem Screen Printers, Inc.). Salem Sportswear, Inc., a wholly-owned subsidiary of the Company (the "Subsidiary"), was the surviving corporation of the merger. As a result of the merger, the consolidated statements of operations of the Company's predecessor for periods prior to June 1, 1991 are not comparable to the consolidated statements of operations of the Company for periods subsequent to that date.

In the merger new investors acquired approximately 68% of the common stock of the Company, and therefore, in effect, a 68% ownership interest in the Subsidiary, for consideration of approximately $14,500,000, while the former owners of the Subsidiary in effect retained a 32% ownership interest in the Subsidiary (through the exchange of their common stock of the Subsidiary for approximately 32% of the common stock of the Company). The $14,500,000 consideration paid by the new investors to the Company consisted of $7,000,000 in cash, $5,000,000 of the Company's 12% Senior Subordinated Non-Negotiable Promissory Notes maturing in 1996 (the "12% Notes") and $2,500,000 in consideration of an agreement of the original stockholders of the Subsidiary not to compete with the business of the Company during the period of their employment and for three years thereafter. The consideration also included a contingent payment by Salem to two stockholders for a maximum of $5,000,000 based upon the achievement of predetermined earnings growth over the five years following the merger. In connection with the initial public offering of the Company's common stock, the contingent rights to such payments were converted into vested deferred compensation of $5,000,000, and the payments of bonuses to other key employees of the Company (also related to the merger) in the amount of $570,000 were accelerated. This total of $5,570,000 has been expensed in the nine months ended May 31, 1992. The merger and related Transactions are referred to herein as the "1991 Transaction."

Also in connection with the 1991 Transaction, the Company issued to the former owners of the Subsidiary approximately $1,165,000 of its 12% Senior Subordinated Promissory Notes, due in four equal annual installments commencing June 25, 1992 (the "Stockholder Notes"), evidencing indebtedness previously outstanding to them on account of working capital loans to the Subsidiary.

In exchange for a total investment of $9.5 million with respect to the 1991 Transaction, certain investors were issued, or obtained the right to acquire, an aggregate of approximately 4,517,500 shares of common stock, 50,000 shares of the Company's 8% cumulative redeemable preferred stock, liquidation value $100 per share, and $4.25 million in aggregate principal amount of the Company's 14 1/2% Subordinated Notes maturing in 1999 (the "14 1/2% Notes").

The 12% Notes, the 14 1/2% Notes and the Stockholder Notes were repaid with a portion of the proceeds from the Company's initial public offering.

3. Net Income Per Common Share.

As of April 9, 1992, the Company effected a 69.5-for-1 stock split as a stock dividend with respect to all shares of common stock outstanding on such date. Net income per common share is computed based upon the weighted average number of common and common equivalent shares outstanding. In accordance with the Securities and Exchange Commission Staff Accounting

Bulletins, common and common equivalent shares issued during the twelve-month period prior to the Company's initial public offering have been included in the calculation as if they were outstanding for all periods presented, using the treasury stock method. In addition, all 50,000 outstanding shares of the Company's 8% cumulative redeemable preferred stock, including accrued dividends to the date of exchange, which were exchanged for common stock upon the closing of the initial public offering on June 10, 1992, are treated as if exchanged for common shares for all periods presented. The exchange price of the preferred stock was equal to the initial public offering price of the common stock.

4. Inventory.

The components of inventory as of August 31, 1991 and May 31, 1992 consist of:

	August 31, 1991	May 31, 1992
Blanks in process......................	$ 6,345,221	$ 6,937,873
Blanks..................................	7,065,321	14,168,337
Finished goods.........................	4,802,418	6,583,530
	$18,212,960	$27,689,740

A blank is a completed garment that has been finished and dyed, but does not yet bear any decorative elements.

SALEM SPORTSWEAR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Nine Months Ended May 31, 1992 and 1991

Net sales for the quarter ended May 31, 1992 increased 86% to $29.3 million from $15.8 million for the comparable quarter of fiscal 1991. Net sales for the nine months ended May 31, 1992 increased 82% to $81.2 million from $44.6 million for the comparable nine month period of fiscal 1991. These increases were primarily attributable to increased sales of the Company's Salem product line and further penetration of the Official Fan line into mass merchandisers. The Front Row product line was introduced in the fourth quarter of fiscal 1991 and has had a beneficial impact on the Company's sales in fiscal 1992.

The Company's gross profit increased 69.1% to $12.6 million for the quarter ended May 31, 1992 from $7.5 million for the quarter ended May 31, 1991, but decreased as a percentage of net sales from 47.2% to 43.0%. For the nine months ended May 31, 1992, the Company's gross profit increased 70.8% to $34.7 million from $20.3 million in the nine months ended May 31, 1991, but decreased as a percentage of net sales from 45.6% to 42.8%. The decreases in gross margin percentage were primarily attributable to a shift in product mix in the Salem line away from player identified products to team identified products, which generally have lower sales prices than player identified products. Gross margins on team identified products are generally lower than on player identified products. However, royalty payments (which are included in selling, general and administrative expenses) are also generally lower for team identified products.

Selling, general and administrative expenses increased 64.7% to $8.7 million for the quarter ended May 31, 1992 from $5.3 million in the comparable quarter of fiscal 1991, but decreased as a percentage of net sales from 33.4% to 29.6%. Selling, general and administrative expenses for the nine month period ended May 31, 1992 increased 63.7% to $24.4 million from $14.9 million in the comparable nine month period of fiscal 1991, but decreased as a percentage of net sales from 33.3% to 30.0%. The increases in selling, general and administrative expenses were primarily due to variable selling expenses, such as royalties and commissions, which increased as a function of increased net sales. The decreases of selling, general and administrative expenses as a percentage of net sales was primarily attributable to the fact that fixed general and administrative costs grew at a slower rate than sales. Selling, general and administrative expenses for the nine months ended May 31, 1992, as compared to the nine months ended May 31, 1991, were also affected by a shift in product mix from player identified products to team identified products. Team identified designs generate a single royalty payment (for use of team marks, including names, uniforms and other insignia), as compared to player identified products which generate a double royalty (for use of team insignia and players' likenesses).

Income from operations for the quarter ended May 31, 1992 increased 75% to $3.8 million from $2.2 million for the comparable quarter of fiscal 1991. Income from operations for the nine months ended May 31, 1992 decreased 43% to $3.1 million from $5.5 million for the comparable nine month period of fiscal 1991. The increase in income from operations for the third quarter of fiscal 1992 was primarily attributable to the increase in net sales compared to the third quarter of fiscal 1991. The decrease in income from operations for the first nine months of fiscal 1992 was primarily attributable to $5.6 million of non-recurring charges consisting of (i) $5.0 million related to the conversion of contingent compensation due to two principal stockholders of the Company into vested deferred compensation and (ii) $570,000 of bonuses paid to key employees of the Company. Both the $5.0 million of contingent compensation and the $570,000 of bonuses related to the 1991 Transaction and the incurrence of non-recurring charges in the second quarter of fiscal 1992 were due to the fact that conversion and acceleration of these obligations was effected by the Company in February 1992, conditioned upon consummation of the Company's initial public offering. In addition, in the nine month period ended May 31, 1992, the Company incurred $1.4 million of costs related to the relocation of the Company's corporate offices and other operations from Salem, New Hampshire to Hudson, New Hampshire.

Interest expense for the quarter ended May 31, 1992, increased 164.6% to $770,000 from $291,000 for the comparable quarter of fiscal 1991 and rose as a percentage of net sales to 2.6% from 1.8%. Interest expense for the nine month period ended May 31, 1992 increased 157.9% to $2.2 million from $900,000 for the comparable nine month period of fiscal 1991. The increases reflect the issuance of the 12% Notes and 14 1/2% Notes in connection with the 1991 Transaction, the incurrence of bank indebtedness in connection with the 1991 Transaction and increased borrowings under the Company's working capital line of credit. These were partially offset by a decrease in the average interest rate on bank borrowings during the period. Subsequent to May 31, 1992, the Company used proceeds from its initial public offering to repay substantially all of its indebtedness.

The effective income tax rate for the nine months ended May 31, 1992, was 39.0% compared with 37.4% for the nine months ended May 31, 1991.

Net income for the quarter ended May 31, 1992 increased 43.3% to $1.8 million from $1.3 million for the comparable quarter of fiscal 1991. Net income for the nine month period ended May 31, 1992 decreased 84.9% to $443,000 from $2.9 million for the comparable nine month period of fiscal 1991. The increase in net income for the third quarter of fiscal 1992 was primarily attributable to the increase in net sales compared to the third quarter of fiscal 1991. The decrease in net income for the first nine months of fiscal 1992 was primarily attributable to the non-recurring charges and increase in interest expense described above.

Liquidity and Capital Resources

The Company maintains substantial inventory levels in order to be able to deliver products promptly to its customers. Rapid growth in the Company's sales has steadily increased the Company's requirements for working capital resources to support growth in inventory and accounts receivable. To date, Salem has satisfied its working capital needs with short- and long-term borrowings and with cash generated from operations. On May 31, 1992, the Company had a $23.0 million bank credit line of which $20.7 million was utilized as of that date. The line of credit agreement contains certain restrictive financial covenants which, among other things, require the Company to maintain certain minimum tangible capital base levels and interest coverage and debt to equity ratios. The Company was in compliance with all of the covenants as of May 31, 1992. Substantially all of the Company's indebtedness, including all outstanding advances under the existing bank credit line, was repaid out of a portion of the net proceeds from the Company's initial public offering. The Company is negotiating a new line of credit and expects that the new working capital line will be in place shortly. In the interim, the $23.0 million line continues to be available to the Company.

The Company's negative cash flow from operations in recent periods was primarily the result of increases in inventory and accounts receivable, and also of nonrecurring expenses, including special and contingent bonus payments to key employees and relocation expenses.

The Company's capital expenditures during the first nine months of fiscal 1992 were approximately $2.1 million. The Company expects capital expenditures for the balance of fiscal 1992 to be approximately $1.7 million.

The Company believes that its internally generated funds, borrowings under existing and anticipated credit facilities and the remaining proceeds from the initial public offering will be adequate for its liquidity and capital needs at least through fiscal 1993.

SALEM SPORTSWEAR CORPORATION

Part II

Other Information

Item 1. Legal Proceedings

The Company produces NBA player identified products under licenses with NBA Properties and USA Basketball. The license with NBA Properties includes a provision allowing NBA Properties to instruct the Company to cease within 70 days the production, sale and distribution pursuant to the license of player identified apparel bearing the likeness or attributes of any player who becomes inactive from the NBA or enters into an exclusive license agreement which conflicts with the rights granted under the license with NBA Properties. Earlier this year, NIKE, Inc. notified the Company that NIKE claimed that use of the likenesses of certain NBA players (the "NIKE Endorsers"), including the use of their caricatures, infringed on exclusive rights granted by those players to NIKE, Inc. However, NBA Properties has informed NIKE and the Company that NBA Properties continues to have the right to license the likenesses of NBA players for use on caricature T-shirts, based on certain exclusive rights that NBA Properties has obtained from the National Basketball Players Association. During February and March of this year, NBA Properties instructed the Company to cease the production, sale and distribution of all licensed articles (i) using Michael Jordan's likeness and other attributes (including caricature T-shirts) by March 31, 1992 and (ii) using the likenesses of 88 other NIKE Endorsers by April 14, 1992, with the exception of caricature T-shirts (which continue to be authorized by NBA Properties). In its capacity as the exclusive agent for USA Basketball, NBA Properties instructed the Company to cease shipping any licensed articles under Salem's license with USA Basketball, except for (i) individual player or team identified caricature T-shirts which do not bear the likeness of Michael Jordan and (ii) other licensed articles which do not bear the likenesses of the NIKE Endorsers who are members of the USA Basketball men's team. The Company chose to comply with these instructions. NBA Properties subsequently informed the Company that Michael Jordan and NIKE, Inc. consented to the inclusion of Michael Jordan's likeness in caricature T-shirts featuring all of the NBA player members of the USA Basketball men's team. Accordingly, the Company has commenced production and sale of this type of shirt and is featuring such shirts in connection with the 1992 Summer Olympics. Michael Jordan also has consented to the inclusion of his likeness in caricature T-shirts featuring members of the Chicago Bulls team in connection with that team's victory in the 1992 NBA championship. Pursuant to each of its agreements with NBA Properties and USA Basketball, the Company is entitled to be indemnified by the licensor with respect to any claims, demands, causes of action or damages (including attorneys' fees) arising out of the Company's use of the NIKE Endorsers' likenesses, including its continued sales of T-shirts bearing the caricatures of NIKE Endorsers other than Michael Jordan. There are no pending negotiations between the Company and NIKE, Inc. with respect to NIKE, Inc.'s claims, nor has there been any further communication from NIKE, Inc. to the Company with respect to such claims since February 1992.

However, no assurances can be given that NIKE, Inc. will not continue to assert such claims in the future.

The Company is a defendant in a lawsuit filed by the National Football League Players Association (the "NFLPA") on January 21, 1992 in the Superior Court of the District of Columbia. The company was a party to two consecutive license agreements with the NFLPA which extended from April 1987 through March 1991, when the second license expired. The NFLPA's complaint alleges that the Company underreported or did not report gross sales of a number of products manufactured and sold pursuant to its licenses with the NFLPA, and therefore did not pay the full royalties due to the NFLPA. With respect to this claim, the NFLPA's complaint states that its damages are believed to exceed $200,000. The complaint also alleges that (i) the Company continued to sell its existing inventory of goods manufactured under the second license after it had expired; (ii) during the term of the license, the Company sought to secure permission to use NFL players' images, directly from the players and/or their agents, and thereby breached a provision of its agreement with the NFLPA that allegedly prohibited the Company from doing so; (iii) the Company tortiously interfered with exclusive group licensing agreements between the NFLPA and certain NFL players by securing or seeking to secure such rights directly from players; and (iv) the Company made unlawful use of the NFLPA's common law rights in its logo. With respect to each of these claims, the NFLPA is seeking permanent injunctive relief (except with respect to claim (ii)) and damages in an unspecified amount. The Company believes that it has meritorious defenses to the principal claims of the NFLPA. Although there can be no assurance that the Company will prevail on the principal claims in this litigation, the Company does not believe that any adverse outcome in this litigation would be likely to have a material adverse impact on the Company's business.

On June 12, 1992, Clothing With Attitude, Inc., a Michigan corporation, instituted a lawsuit against the National Basketball Association, NBA Properties, Inc. and the Company in the United States District Court for the Southern District of Michigan. In the litigation, plaintiff alleges that it designed a product line consisting of a red T-shirt, a unique "bull" caricature on the front of the shirt and the slogan "Real Men Wear Red"; that defendants misappropriated plaintiff's concept by licensing Salem to manufacture red T-shirts, the slogan "Real Men Wear Red", and the National Basketball Association trademarked Chicago Bull caricature, together with the words "Chicago Bulls"; and that as a result, plaintiff has been unable to effectively market and sell its originally designed T-shirts. The suit purports to state violations of the Federal antitrust laws, the Copyright Act, common law trademark infringement, common law unfair competition, and tortious interference with contractual and economic relations. The Company believes the suit is without merit. The Company was authorized by the National Basketball Association to manufacture and distribute the T-shirts, and it was licensed to use the slogan "Real Men Wear Red" by Costacos Brothers, Inc., a Washington firm, which had established trademark rights in the slogan prior to its use by plaintiff. The Company intends to defend the litigation vigorously.

The Company is not a party to any other material pending legal proceedings, other than ordinary routine litigation incidental to its business. The Company believes that none of these other proceedings if adversely determined would have a material adverse effect on the Company.

Item 2. Changes in Securities

For certain changes in the Certificate of Incorporation and By-laws of the Company, see Item 4 below. The rights of the holders of Common Stock of the Company, after giving effect to all changes described in Item 4 below, are summarized in the prospectus dated June 3, 1992, included as part of the Registration Statement on Form S-1 with respect to the Company's initial public offering, under the heading "Description of Capital Stock," which is incorporated herein by reference.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

Pursuant to a consent in lieu of special meeting dated as of April 8, 1992, the stockholders of the Company unanimously approved the filing of an amendment to the Company's Certificate of Incorporation, which amendment changed the name of the Company from Salem Screen Holding Corp. to Salem Sportswear Corporation and increased the authorized Common Stock of the Company from 110,000 shares to 25,000,000 shares.

Pursuant to a joint consent in lieu of special meeting of stockholders and the Board of Directors dated as of May 29, 1992, the stockholders of the Company unanimously approved the following matters:

1. Filing of an Amended and Restated Certificate of Incorporation to: (i) authorize 4,750,000 shares of undesignated preferred stock and 200,000 shares of Series A Junior Participating Cumulative Preferred Stock; (ii) adopt a "fair price" provision in connection with business combinations; (iii) authorize a staggered Board of Directors; and (iv) adopt certain general corporate provisions.

2. Amendment of the Company's By-laws with regard to certain general corporate provisions.

3. Affirmation of the appointment by the Board of Directors of Leonard G. Saulter as a Director of the Company.

4. Classification of the Board of Directors consisting of the following six persons:

Class I - William A. Landman, Garth H. Dreimann
Class II - Russell L. Epker, Leonard G. Saulter
Class III - Kyle W. Nagel and Keith A. Kennelly.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11.1 Computation of Net Income Per Share

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SALEM SPORTSWEAR CORPORATION

July 13, 1992
Date

John G. Demeritt, Treasurer
and Chief Financial Officer

SALEM SPORTSWEAR CORPORATION

EXHIBIT INDEX

Exhibit 11.1 Computation of Net Income Per Share

Salem Sportswear Corporation Exhibit 11.1

Computation of Net Income Per Share

	Three Months Ended May 31,		Nine Months Ended May 31,	
	1991	1992	1991	1992
	Predecessor	Company	Predecessor	Company
Net Income (in thousands)	$1,267	$1,815	$2,932	$443
Weighted average shares outstanding:				
Shares outstanding at the beginning of the period	8,340	0	8,340	0
Weighted average shares issued during the period	-	-	-	-
Adjustments to reflect requirements of the Securities and Exchange Commission:				
Assumed conversion to common stock of preferred stock from date of issuance (2)	-	431,069	-	431,069
Effects of SAB 83 (1)	6,928,421	6,928,421	6,928,421	6,928,421
Weighted average common shares outstanding	6,936,761	7,359,490	6,936,761	7,359,490
Net income per share	$0.18	$0.25	$0.42	$0.06

(1) In accordance with SEC Staff Accounting Bulletins, issuances of common stock and stock options one year prior to the intial filing of the company's registration statement on form S-1, at share prices below the public offering price of $12.50 per share ("cheap stock"), are considered to have been made in anticipation of the public offering .
See Note 3 of the consolidated financial statements.

(2) Assumed the conversion of preferred stock to common stock as of the date the preferred stock was originally issued. Such preferred stock was exchanged upon the closing of the Company's initial public offering on June 9, 1992.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORTS UNDER SECTION ACT 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For Quarter Ended July 31, 1991

Commission file number 0-14978

Transamerican Petroleum Corporation
(Exact Name of Registrant as Specified in its Charter)

Colorado

84-0851916

1050 Walnut Street #401
Boulder, Colorado 80302
(Address of principal executive offices)

(303) 447-9099
(Registrant's telephone number, including area code)

Indicate by checkmark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No__

The number of shares outstanding of the Registrant's classes of common stock, as of the close of the period covered by this report was:

Common Stock, $.01 Par Value, 6,426,985

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FINANCIAL INFORMATION

Part I

Item 1. Financial Statements

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to form 10-Q and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (all of which are normal recurring accruals).

TRANSAMERICAN PETROLEUM CORPORATION
BALANCE SHEETS

ASSETS

	July 31, 1991 (Unaudited)	April 30, 1991 (Audited)
CURRENT ASSETS		
Cash	$ --	$ 175

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable - trade	$ 5,929	$ 5,409
SHAREHOLDERS' EQUITY		
Common stock		
Authorized- 45,000,000 shares, $.01 par value		
Issued and fully paid 6,426,985	64,270	64,270
Paid-in capital in excess of par value	986,984	986,984
Retained deficit	(1,057,183)	(1,056,488)
Total Shareholders' Equity	(5,929)	(5,234)
	$ --	$ 175

See Attached Notes

TRANSAMERICAN PETROLEUM CORPORATION
STATEMENT OF INCOME (LOSS)

	Three Months Ended July 31, 1991 (Unaudited)	Three Months Ended July 31, 1990 (Unaudited)
EXPENSES		
Administrative expense	$ 695	$ 11
Total Expense	695	11
INCOME (LOSS) BEFORE INCOME TAXES	(695)	(11)
PROVISION FOR INCOME TAXES	--	--
NET INCOME (LOSS)	$(695)	$(11)
NET INCOME (LOSS) PER SHARE	$(.0001)	$(.0001)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	6,426,985	6,176,986

See Attached Notes

TRANSAMERICAN PETROLEUM
STATEMENTS OF CASH FLOWS

	Three Months Ended July 31, 1991 (Unaudited)	Three Months Ended July 31, 1990 (Unaudited)
Cash Flows From Operating Activities		
Net (Loss)	$(695)	$(11)
Increase (Decrease) in accounts payable	520	(6,981)
Net Cash provided by Operating Activities	(175)	(6,992)
Cash Flows From Investing Activities		
Sale of common stock	--	7,200
Net Increase (Decrease) in Cash	(175)	208
Cash at Beginning of Period	175	87
Cash at End of Period	$ --	$ 295

See Attached Notes

TRANSAMERICAN PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS

July 31, 1991
(Unaudited)

1. The Company has never declared dividends on its capital shares.

2. The information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim period for the three months ended July 31, 1991. The results of operations for the above period are not necessarily indicative of the results to be expected for the year ended April 30, 1992.

3. Income (loss) per share is computed based on the weighted average number of shares during the period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Due to the low price of oil, very low production, high operating costs, and shut ins, Transamerican Petroleum Corp. sold its overriding royalty interests in its Ohio properties.

With no income, Transamerican Petroleum Corp. is not in a financially strong position. Currently, there are no material commitments for capital expenditures. Transamerican Petroleum Corp.'s financial position depends on the fluctuating and unpredictable price of oil and finding a new source of investment capital. It is therefore impossible to speculate on the financial future of the company.

PART II

Item 1. Legal Proceedings

There is no litigation pending or threatened by or against the Registrant or any of its properties.

Item 2. Changes in Securities

No changes of rights of security holders have occured.

Item 3. Default Upon Senior Securities

No material default on the part of Registrant has occured.

Item 4. Submission of Matters to a Vote of Security Holders

No meetings of shareholders or voting upon any matter transpired in this quarter.

Item 5. Other Information

No new or other information has transpired during the quarter ended July 31, 1991.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(Registrant)

2/28/92
(Date)

(Signature)

2/28/92
(Date)

(Signature)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

RECEIVED

For Quarter Ended December 31, 1991 Commission File No. 0-11852

Vertical Software Systems, Inc.
(Exact name of Registrant as specified in its charter)

Colorado	84-0917536
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P. O. Box 5088, Wheat Ridge, Colorado 80034
Address of principal executive offices

Registrant's telephone number, including area code (303) 843-0226

None
Former address if changed since last report

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No ____
(2) Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

71,469,372 common shares were outstanding as of December 31, 1991.

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VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY

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VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Consolidated Balance Sheets

ASSETS

	December 31, 1991 (Unaudited)	June 30, 1991
Current assets:		
Cash	$ 50,158	$ 4,642
Receivable from officers	22,000	-
Royalties receivable	20,000	110,263
Total current assets	92,158	114,905
Property and equipment:		
Furniture and fixtures	4,753	4,753
Equipment	87,277	87,277
	92,030	92,030
Less accumulated depreciation	(53,334)	(50,173)
Total property and equipment	38,696	41,857
Other assets (net):		
Software and hardware development costs	30,239	48,988
Software rights	4,073	6,293
Costs in excess of net assets of Vertical Manufacturing Corp. as of date of acquisition	1,597	11,257
Total other assets	35,909	66,538
	$ 166,763	$ 223,300

The accompanying notes are an integral part of the financial statements.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Consolidated Balance Sheets
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1991 (Unaudited)	June 30, 1991
Current liabilities:		
Accounts payable - trade	$ 23,093	$ 50,925
Accrued liabilities	35,473	16,433
Total current liabilities	58,566	67,358
Commitments		
Stockholders' equity:		
Common stock, $.001 par value:		
Authorized - 100,000,000 shares		
Issued and outstanding - 76,119,372 shares	76,119	76,119
Capital in excess of par value	2,673,384	2,673,384
Accumulated deficit	(2,495,856)	(2,448,111)
Less common stock in treasury, 4,650,000 shares at cost	(145,450)	(145,450)
Total stockholders' equity	108,197	155,942
	$ 166,763	$ 223,300

The accompanying notes are an integral part of the financial statements.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	1991	1990	1991	1990
Net sales	$ -	$ 7,891	$ -	$ 11,510
Cost of sales	-	2,502	-	3,790
Gross profit	-	5,389	-	7,720
Operating expenses:				
Marketing	-	18,836	-	45,112
Administrative	56,761	80,437	97,076	161,668
Total operating expenses	56,761	99,273	97,076	206,780
Operating income (loss)	(56,761)	(93,884)	(97,076)	(199,060)
Other income (expense):				
Royalties	20,000	101,329	53,895	195,973
Interest income	-	85	-	85
Interest expense	(53)	(1,646)	(73)	(3,344)
Other	(6,241)	-	(4,491)	-
Net income (loss)	$ (43,053)	$ 5,884	$ (47,745)	$ (6,346)
Income (loss) per common share	$ -	$ -	$ -	$ -
Weighted average common shares outstanding	71,469,372	71,469,372	71,469,372	71,469,372

The accompanying notes are an integral part of these financial statements.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Consolidated Statement of Stockholders' Equity
From July 1, 1991 to December 31, 1991
(Unaudited)

	Common stock	Capital in excess of par value	Accumulated deficit	Common stock in treasury	Total
Balances at July 1, 1991	$76,119	$2,673,384	$(2,448,111)	$(145,450)	$155,942
Net loss for the six months ended December 31, 1991	-	-	(47,745)	-	(47,745)
Balances at December 31, 1990	$76,119	$2,673,384	$(2,495,856)	$(145,450)	$108,197

The accompanying notes are an integral part of the financial statements.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended December 31,		Six months ended December 31,	
	1991	1990	1991	1990
Increase (Decrease) in Cash and Cash Equivalents				
Cash flows from operating activities:				
Cash received from customers	$ -	$ 7,216	$ -	$ 11,973
Cash paid to suppliers and employees	(5,425)	(55,515)	(81,539)	(124,307)
Interest received	-	85	-	85
Interest paid	(53)	(1,646)	(73)	(3,342)
Net cash provided by operating activities	(5,478)	(49,860)	(81,612)	(115,591)
Cash flows from investing activities:				
Royalties received	52,128	60,367	127,128	119,683
Cash flows from financing activities:				
Principal payments on notes payable	-	(12,500)	-	(33,258)
Increase (decrease) in cash	46,650	(1,663)	45,516	(29,166)
Cash and cash equivalents:				
Beginning of period	3,508	2,438	4,642	29,941
End of period	$ 50,158	$ 775	$ 50,158	$ 775

The accompanying notes are an integral
part of the financial statements.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Continued)
(Unaudited)

Reconciliation of net (income) to net cash used in operating activities

	Three months ended December 31, 1991	Three months ended December 31, 1990	Six months ended December 31, 1991	Six months ended December 31, 1990
Net income (loss)	$ (43,053)	$ 5,884	$ (47,745)	$ (6,346)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	16,895	28,092	33,790	56,100
Royalties earned	(20,000)	(101,170)	(53,895)	(195,974)
Loss on restructuring of payables	6,240	-	4,490	-
Changes in assets and liabilities:				
Accounts receivable	-	(679)	-	462
Loans to officers	(1,000)	-	(22,000)	-
Prepaid expenses	-	(1,014)	-	(236)
Accounts payable	9,816	33,117	(15,292)	49,719
Accrued liabilities	25,624	(14,090)	19,040	(9,316)
Total adjustments	37,575	(55,744)	(33,867)	(109,245)
Net cash (used in) operating activities	$ (5,478)	$ (49,860)	$ (81,612)	$(115,591)

The accompanying notes are an integral part of the financial statements.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of presentation

The consolidated financial statements included herein have been prepared by the Company without audit, except for the June 30, 1991 balance sheet which was audited. The statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and reflect al. adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results of operations for the periods shown. These statements do not include all information required by generally accepted accounting principles to be included in a full set of financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission for the year ended June 30, 1991.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Three months ended December 31, 1991 compared to three months ended December 31, 1990.

Revenues decreased 100% from $7,891 for the three months ended December 31, 1990 to $0 for the three months ended December 31, 1991, due to the termination of all marketing activities.

Gross profits decreased 100% from $5,389 for the three months ended December 31, 1990 to $0 for the three months ended December 31, 1991, due again to the termination of all marketing activities.

Marketing expenses decreased 100% from $18,836 for the three months ended December 31, 1990 to $0 for the three months ended December 31, 1991, due again to the termination of all marketing activities.

Administrative costs decreased 29% from $80,437 for the three months ended December 31, 1990 to $56,761 for the three months ended December 31, 1991, due the elimination of all salaried employees and reductions in rent and legal expenses. Administrative costs declined despite a one-time $35,000 charge to royalty expense for the DTS group; no further royalties to DTS will accrue in the future.

The decrease in operating expenses was partially offset by the decrease in gross profits, resulting in a 40% decrease in the operating loss from $93,884 for the three months ended December 31, 1990 to $56,761 for the three months ended December 31, 1991.

Royalty income decreased 80% from $101,329 for the three months ended December 31, 1990 to $20,000 for the three months ended December 31, 1991. This was due to a reduction of royalties from Xscribe as the result of a revision in the Exclusive License Agreement with Xscribe, and a cessation of royalties from AssemblyFab.

The reduction in the current quarter's operating loss was offset by decreased royalties, resulting in a net loss of $43,053 for the three months ended December 31, 1991 compare to net income of $5,884 for the three months ended December 31, 1990.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Six months ended December 31, 1991 compared to six months ended December 31, 1990.

Revenues decreased 100% from $11,510 for the six months ended December 31, 1990 to $0 for the six months ended December 31, 1991, due to the termination of all marketing activities.

Gross profits decreased 100% from $7,720 for the six months ended December 31, 1990 to $0 for the six months ended December 31, 1991, due again to the termination of all marketing activities.

Marketing expenses decreased 100% from $45,112 for the six months ended December 31, 1990 to $0 for the six months ended December 31, 1991, due again to the termination of all marketing activities.

Administrative costs decreased 40% from $161,668 for the six months ended December 31, 1990 to $97,076 for the six months ended December 31, 1991, due the elimination of all salaried employees and reductions in rent and legal expenses. Administrative costs declined despite a one-time $35,000 charge to royalty expense for the DTS group; no further royalties to DTS will accrue in the future.

The decrease in operating expenses was partially offset by the decrease in gross profits, resulting in a 51% decrease in the operating loss from $199,060 for the six months ended December 31, 1990 to $97,076 for the six months ended December 31, 1991.

Royalty income decreased 72% from $195,973 for the six months ended December 31, 1990 to $53,895 for the six months ended December 31, 1991. This was due to a reduction of royalties from Xscribe as the result of a revision in the Exclusive License Agreement with Xscribe, and a cessation of royalties from AssemblyFab.

The reduction in the current quarter's operating loss was offset by decreased royalties, resulting in a net loss of $47,745 for the six months ended December 31, 1991 compare to $6,346 for the six months ended December 31, 1990.

VERTICAL SOFTWARE SYSTEMS, INC. AND SUBSIDIARY
Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company's liquidity improved slightly as of December 31, 1991 compared to June 30, 1991, as cash increased from $4,642 to $50,158, and working capital decreased from $47,547 to $33,592. The decrease in working capital resulted from a one-time $35,000 charge to royalty expense for the DTS group; no further royalties to DTS will accrue in the future.

The major source of the Company's working capital is and will continue to be the royalties from Xscribe; in the past, Xscribe has often been late in paying royalties to the Company as they become due. Because there can be no assurance that Xscribe will make all payments due to the Company under the Exclusive License Agreement, the Company's ability to continue as a going concern is not assured.

The Company has eliminated or substantially reduced its expenditures for marketing, support, production and administration. If Xscribe continues to pay royalties as they become due, management believes that the Company's liquidity and working capital are adequate. If Xscribe fails to pay royalties as they become due, management is unable to determine whether the Company's liquidity and working capital situation are adequate.

The Company's liquidity had deteriorated as of December 31, 1990 as compared to June 30, 1990, as cash decreased from $29,941 to $775, while working capital increased from $16,628 to $46,381. The increase in working capital resulted from a $75,000 increase in royalties from Xscribe.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K:

The Registrant did not file any reports on Form 8-K for the quarter ended December 31, 1991.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 19, 1992

Vertical Software Systems, Inc.
(Registrant)

By: ______________________
Daniel T. Pauls, Principal
Accounting and Principal
Financial Officer